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FICCI for Peking

A SEVEN-MEMBER delegation, led by the president of the Federation of Indian Chambers of Commerce and Industry, will be visiting China early next month. A team of journalists has already been to that country and its members, on their return, have duly given their impressions and reactions through the columns of the press or elsewhere. These journalists were a handpicked lot, selected by the ministries of Information and Broadcasting and External Affairs, with generous advice or instructions from other sources including, presumably, the prime minister's establishment. The main purpose of their visit to China clearly had a good deal to do with the current phase of our government's Chinese diplomacy. While Mr Morarji Desai's inherent realism may not encourage a revival of "Hindi-Chini Bhai Bhai" politics, his flirtations with the US president may force him to allow our ministry for External Affairs to play with the view that, if the Chinese are not to be our blood brothers, they could at least be our first cousins. The composition of the FICCI delegation suggests that the delegation has practically chosen itself and that government interference was minimal, restricted, pehaps, to formal approval. It may therefore be assumed that the FICCI group may not feel bound by an obligation to act as a tool of the Chinese "desk" in the South Block.

Neighbourliness and goodwill are, of course, to be promoted under all circumstances, but the aim of the FICCI delegation should primarily be to attend to its own essential business of exploring and estimating trade possibilities and prospects of commercial links. On the face of it, China and India should offer each other large and attractive markets for goods and services. However, years of political alienation or hostility have prevented Indo-Chinese economic contacts from developing beyond their historically embryonic stages. Now that both countries seem to be interested in building bridges of one kind or another, the first move must logically be in the direction of improving trade relations. The Chinese have a tremendous reputation as traders and Indian commerce too has a respectable history both ancient and modern. Provided the FICCI delegation does not commit the mistake of merely coming back with information of dubious authenticity for drawing comparisons between the performances of Chinese and Indian planning, it could do work of practical importance for the development of beneficial economic relations between the two countries.

Thanks to the fact that China has been consistently endeavouring to the extent it lies in its power, to prevent the rest of the world from knowing any more than it wants to be known about its political and economic affairs, even the most diligent China watchers in Moscow or Washington, not to speak of New Delhi, cannot claim to be adequately informed. Nevertheless, it is a fair guess that there is vast hunger in China for all kinds of consumer goods and perhaps intermediate goods as well. The Chinese government itself does not seem to be exactly keen on satisfying some of this hunger through imports and it has so far shown interest only in the importation of capital goods from Japan or western sources. The usefulness of the FICCI delegation will therefore depend mainly on its success in getting the Chinese to talk about their needs of consumer goods and persuade them to look to India for supplies.

In other words, what the constituents of the FICCI in particular and the country in general have a right to expect from this delegation is a workman-like assessment of possibilities for exporting Indian merchandise, especially the products of consumer goods industries, to the vast Chinese market. In our trade relations with Gulf countries, our commercial policy has rightly been concentrating on the export of plant and machinery, industrial equipment and other fabrications and engineering and construction knowhow. A different strategy will clearly be more relevant to programmes for doing business with China. The emphasis here must clearly be on studying the potentialities of the Chinese market for our consumer goods. In this

manner we could generate interesting trade possibilities, particularly for our small-scale industries. It is true that the Chinese trade delegation, which visited this country recently, had shown interest in fertilizers, blast furnaces, dredgers, computer and electronic equipment and automatic control equipment. While Indian manufacturers in these fields of production would naturally find encouragement in this, the FICCI delegation should nevertheless give special attention to the market possibilities in China for our consumer goods industries. For India, success in this direction is worth exerting itself for, since it could be a testimony to its achievements in the area of industrialization and economic development.

Accelerating industrial output

THE FIRST year of the Janata government's performance in the field of industry was disappointing. The rise in industrial production in 1977-78 was no more than 3.5 per cent as against the target of five to six per cent and the 10.4 per cent growth recorded in 1976-77. Understandably, this had caused some enxiety to the central minister for Industry, Mr George Fernandes, who held out the assurance a few weeks back that a package programme was being formulated to hasten the pace of industrial development. The new strategy for industrial expansion spelled out by him last week promises to remove bottlenecks which have proved to be powerful hindrances in the past so as to raise the industrial growth rate to between seven and eight per cent a year. The steps proposed to be taken presume that matching assistance from other economic ministries would be forthcoming in adequate measure, of which there seems to be no tangible evidence.

For instance, the new strategy lays emphasis on "advance planning" for the import of crucial items. Surely, the ministry of Finance has enough foreign exchange reserves at its disposal to meet the needs of the ministry of Industry but will the ministry of Railways promise to carry all the imported goods to their destinations? Or will the congestion at the ports be eased to allow the steady import and use of the imported goods? Or will the industrial relations improve so that the wheels of industry are not jammed from time to time? Or will the supply of coal and electricity be adequate to make full use of inputs, both imported or indigenous? Perhaps the key to the success of the package programme lies not entirely with the ministry of Industry but with a coordinated programme wherein all the concerned ministries play their due parts. Even though the ministry of Industry has held "extensive consultations" with other economic ministries, the programme which has been chalked out will depend for its success on the cooperation which the ministry of Industry is able to obtain from the other concerned ministries.

The four essential components of the programme include (a) achievement of targets set for crucial industries, (b) fixing ambitious targets for certain industries, (c) advance planning of imports, and (d) constant monitoring and coordination of activities to achieve targets of production. Except for the decision to plan advance imports, all others are decisions pointing to avowed increased vigilance on the part of the ministry of Industry and nothing more than that. Such verbiage has been put into use times out of number during the past one and a half years. This is not the first occasion that the government has held out assurances to tone up the administrative machinery in various economic ministries.

Slow rise in power generation and frequent power breakdowns in many states have caused incalculable losses in industrial production. According to the annual report of the ministry of Energy for 1977-78, the overall increase in power generation from April 1977 to February 1978 was only about three per cent. It was this failure in power generation which starved many industrial units of an essential input. For instance, more than 100 mini steel plants could not be operated because of the non-availability of power.

It is now claimed that "power generation increased by 14 per cent in April 1978, by 18 per cent in May 1978, and by another 14 per cent in June 1978 (over corresponding months of the previous year)". Despite this encouraging increase in production of power in the quarter under reference, the gap between demand and supply was not of a mean order. Whereas the total requirement of power of this country in June 1978 was 290.66 Gwh/day, availability was of the order of 266.14 Gwh/day. The states which are in the grip of shortage of power are West Bengal, Karnataka, Uttar Pradesh and Rajasthan. Power cuts of varying durations are being applied in these states even today.

production losses

In *Hindustan Times* of July 14, 1978 has appeared a report of the "75-minute fighting" speech of Mr George Fernandes at Hyderabad wherein he quoted from economic newspapers and remarked that those persons who talked of all types of shortages, industrial setback and falling production were only "serving someone". Ironically in the same issue of *Hindustan Times* appeared the news of a severe power crisis in Madhya Pradesh. It was reported that production of power had fallen from 1,132 MW to 650 MW in that state resulting in steep drop in industrial production. In the month of July only, production losses had been reported by Indore Textile Mills (Rs 80 lakhs), Ujjain Mills (Rs 25 lakhs), Ratlam Mills (Rs 8 lakhs) and Khandwa Mills (Rs 3 lakhs).

Because of plentiful rainfalls throughout the country, the hydro power plants at present are operating at peak capacity while the thermal power plants have not improved their performance. Many of them are working significantly below the rated capacities. In the southern region, the actual achievement of thermal plants in April-May 1978 was 22 per cent below the target. In the northern region, the shortfall was of the order of 13 per cent. In the case of certain plants such as the

Faridabad extension plant, the achievement was hardly one-third of the target. That is why power cuts of varying durations are being applied even today in parts of Delhi, Jammu and Kashmir, Rajasthan, Uttar Pradesh, Punjab, Goa, Madhya Pradesh, Maharashtra, Karnataka, West Bengal and Assam.

Even though the production of coal in the quarter April-June 1978 has not been up to expectations, the target of production for 1978-79 has been fixed at 113 million tonnes—nearly 12 million tonnes above that of 1977-78. Since the lack of adequate supply of explosives was the primary cause of the decline in coal production, measures have been adopted to raise indigenous production as well as to increase imports. Unfortunately, the nationalisation of coal mines has proved to be a wrong decision. As recently stated by Mr S.K. Birla, president of the Indian Chamber of Commerce, Calcutta, "the nationalisation of coal has been an unmitigated disaster, leading to an abnormal rise in price, fall in quality and an acute shortage." Hardly a day passes without one state or the other sending an SOS to the centre to arrange the supply of coal.

distress calls

The latest to join this group of states is Gujarat. The message has been conveyed to the centre that unless adequate quantities of coal are despatched within a week, many industrial units are likely to shut down production. Mr Bhailalbhai, Contractor, the minister for Industry in the Gujarat government, is reported to have said at Gandhinagar that "if needed, he would make a dash to New Delhi to pressurise the central authorities to intervene." Early this month, the Industry minister of Punjab, Mr Balramji Das Tandon, had called on the central Energy minister, Mr P. Ramachandran, to apprise him of the acute coal shortage being experienced in that state. Besides the distress calls of the state governments, certain major industries have also been appealing to the central government for the steady supply of coal. For instance, the steel plants' stock position in regard to coal has remained precarious for many weeks and they have been sending urgent messages for quick supply of coal so as to avoid their complete shutdown.

The former central minister for Industry, Mr T.A. Pai, stated a few days ago in Bombay that the management of our economy was becoming more complicated everyday because of our tendency to ignore the existence of a problem instead of finding a solution for it. Whether Mr Fernandes likes it or not, the shortage of coal will persist till ways and means are adopted to increase its production. For this he will have to see that power shortage, lack of explosives, labour trouble and transport bottleneck do not plague the coal mining industry for the next few months at least.

The Railway minister, Mr Madhu Dandavate, has already conceded that the entire railway system is currently working under great pressure and that there has been dislocation in the supply of wagons for the movement of coal and fertilisers. The railways have also not been able to provide sufficient number of wagons for the movement of coal to the steel plants. The only worthwhile decision taken in this regard is to make use of road transport for moving coal, cement, fertilisers etc. over short distances. The power stations also have been advised to make increasing use of road transport for the movement of coal. It is now for the Railway minister to analyse the causes of the malaise. Is it that the workers are once again on the war path and have adopted go-slow tactics? Or is it that there is a sudden spurt in traffic offerings which has taken the railways by surprise?

Again, in the case of cement, acute scarcity has been experienced in some parts of the country with the result that black marketing in this commodity has commenced. Summary trials of profiteers in cement is no solution of the problem; it can be resolved only by increased availability of this commodity. Last year, cement output at 19.3 million tonnes was recorded with capacity utilisation at 89 per cent. During the current year, capacity utilisation at 100 per cent for the next eight months will raise production to 21 million tonnes. Even this order of production will be found inadequate. The incentives for increased production, full reimbursement of transport charges of coal and increase in warehousing facilities are only short-term solutions. There is need for taking urgent measures for doubling cement production. The emphasis on the establishment of mini cement plants in remote or backward areas is misplaced and because of the experimental nature of this exercise, much

Eastern Economist 30 Years Ago

JULY 23, 1948

IT needs no seer with all the gifts of prophecy or a ghost from the grave to tell us that unless something is done speedily to restore business confidence in the country, all our grandiose hopes of industrial expansion will perish as in the dust of the controversies which they have raised. The disastrous recession of stock prices—gathering new forces of destruction in the last fortnight—must have dealt another blow at those complacent observers who were only too ready to believe that the bottom had been reached. In our industrial affairs we have already reached a crises the seriousness of which should be visible to all. It is the virtue of a crisis that it should, when it has thus been seen by all, at least produce unity. We must maintain unity if it is there ; bring it at once into being, if it is not. No purpose will be served in either case in assigning responsibility for the unhappy events of the last eighteen months. To talk about a capitalist strike, about the intransigence of labour, about the ineffectiveness of Government action is merely to add fuel to the flames. Let the past bury the past. What we require at the present time is a determination to achieve a new unity in the industrial field, remembering that the present failure to rally confidence and promote new development is destructive of the interest of all.

That the problem of declining confidence is at the centre of our failure in the industrial field is not now debated. But confidence is not merely a tender plant, quick to die and slow to revive. It can only be kept alive on a lasting basis when all factors involved in industry find a stable ground for the exercise of the functions which they are to undertake.

progress is not expected to be made in the short period. During the emergency, there was a glut of cement and there were proposals to export a million tonnes of cement a year. However, only 353,000 tonnes of cement was exported in 1977-78. At the same time 900,000 tonnes of cement was imported to meet the needs of the southern states which had suffered heavily due to the cyclone havoc. The only happy development in the cement industry is the clearance of 22 proposals for the establishment of cement manufacturing capacity in the private sector. The public sector has also been granted licences for the setting up of additional capacity at 7.5 million tonnes. It will be wrong to presume that there will be a glut in cement supply either this year or the next year. It will take at least three years for the new units to start production.

The minister for Industry has also taken measures for the speedy supply of inputs in the case of such industries as paper, commercial vehicles and wagons; necessary imports in these cases are being expedited. For instance, the shortage of soda ash is being covered by imports of 15,000 tonnes of this chemical. In this particular case, the government has woken up rather late. The industry and trade circles had warned the government almost three to four months ago that the country was likely to face an acute shortage of soda ash. Unluckily, the minister for Industry had not paid any attention to this warning. The present plight of the industry therefore is primarily due to the absence of proper monitoring of supply or demand trends. It is to be hoped that the special group of secretaries under the cabinet secretary will both monitor and coordinate the production of the crucial sectors of industry.

Indo-Iraq collaboration

THE RECENT three-day visit to this country of the Iraqi vice-president, Mr Taha M. Marouf, provided a good opportunity not only for strengthening the bonds of friendship but also for promoting increased economic cooperation between the two countries. While the central minister for Agriculture, Mr S. S. Barnala, has left for Iraq as the leader of an Indian delegation to the tenth anniversary celebrations of the Iraqi revolution on July 12, the prime minister, Mr Morarji Desai has accepted the invitation of the vice-chairman of the Iraqi Revolutionary Council, Mr Saddam Hussain, to pay an official visit to that country. No date has, however, been fixed for the proposed visit. These visits will surely further cement the friendly bonds between the two countries. Also because of the identity of views on the west Asian political crisis, both India and Iraq have cooperated with each other at international forums. What is more relevant is that this country has emerged as a valued partner in the economic development of Iraq and our firms have been invited to participate in the development projects involving investment of crores of rupees. Mr Marouf has assured this country that bids made by Indian firms would be considered with sympathy and that they would be given preferential treatment.

The economy of Iraq has progressed at a golloping rate during the past decade. The rate of growth from 1970 to 1975 was more than 18 per cent a year. The economic prosperity of Iraq rests on oil and the country is striving hard to maximise its production. Two big refineries, each having capacity of 15 million tonnes, are being set up for export. Simultaneously, the petrochemical industries and gas treating units are being given a big push. The industrial plan envisages balanced growth. While light consumer industries are being set up to meet immediate repuirements of Iraq, the heavy industry plants are being set up to cater for the long-term needs of the country. Consequently, stress is being laid on the establishment of such industries as tractors, tools, agricultural implements, electrical appliances, batteries, vehicles and trucks, pipes, aluminium sheets and slabs etc. The State Trading Organisation for Production Goods looks after transportation, packaging, storage, classification, and distribution of goods manufactured by companies under its charge.

The task of promoting economic collaboration between the two countries has been assigned to the Indo-Iraqi Commission whose third meeting was held in Baghdad in June last year. At this meeting, the trade Plan for 1977 was drawn up. It provided for the exchange of specific commodities between the two countries in convertible currencies. The fourth meeting of the joint commission took place in November last year in New Delhi where the trade Plan for 1978 was finalised. The outstanding feature of this plan was to double exports to Iraq from $ 50 million in 1977 to $100 million in 1978. Simultaneously, this country had agreed to increase its imports from $ 20.50 million in 1977 to $ 33 million in 1978. All this was possible because of the continued friendly relations between the two countries. Mr Marouf expressed the view that the joint economic commission had played a dynamic role in further strengthening the historic links between the two countries.

reversal of trend

According to the central ministry of Commerce, India's exports to Iraq dropped from Rs 63.81 crores in 1975-76 to Rs 47.30 crores in 1976-77. There seems to have been a reversal in this trend in 1977-78. For the half-year ended in September 1977, the exports at Rs 30.90 crores were nearly double of the exports for the corresponding period in 1976 at Rs 17.70 crores. It is estimated that this country's exports in 1977-78 were once again as high as in 1975-76. Our imports from Iraq have kept a steady upward course year after year, thanks to the increasing imports of crude oil. The value of imports from Iraq in 1976-77 at Rs 280.2 crores was about 13 per cent higher than the imports in 1975-76 at Rs 247.8 crores. Almost the same level of increase in imports is estimated to have been recorded in 1977-78 over 1976-77.

And there is scope for expanding as well as diversifying bilateral economic and technical cooperation besides raising the volume as well as the value of trade transactions.

Mr Marouf's discussions with the prime minister, Mr Morarji Desai and the Railway minister, Mr Madhu Dandavate, have brightened the chances of this country taking a big part in the construction of the Iraq Railway Project which involves a total expenditure of Rs 1500 crores on a 600-kilometre railway network from Baghdad to its borders with Syria and the construction of bridges, railway stations, workshops, residential colonies and telecommunication facilities. Besides the railways project, our firms have submitted tenders for a number of other projects. For instance, the Engineering Projects (India) Ltd and the Hindustan Steelworks Construction Ltd have sent in quotations for the construction of 3,250 houses in Akashat (Iraq) which are reported to be the lowest. Tenders have also been submitted for the construction of a water research centre, a life insurance building and grain silos. The Indian firms have already bagged orders worth Rs 140 crores out of which the contracts signed during the current year were of the order of Rs 75 crores. Mr Marouf's appreciation of the high quality of works executed by our firms and the excellence of technical know-how of our experts are expected to pave the way for executing many new projects in the coming years.

In times of hardship, Iraq has rendered financial assistance to this country. For example, the government of Iraq extended loan assistance of the order of $ 170.02 million towards financing a part of the cost of crude supplies to the Indian Oil Corporation from 1974 to 1976. Since the foreign exchange reserves position of this country improved significantly from 1976 onwards, no assistance was sought from Iraq. There has, therefore, been no fresh financial assistance from Iraq since then.

Jaded jute

MR SATISH Agarwal, the minister of state for Finance, told the annual general meeting of the Indian Jute Mills Association on July 11, that the cash subsidy on certain items of jute goods would be restored. But are the ministries of Industry and Commerce convinced about the need for reviving the subsidy at an early date? This doubt arises because the government has been delaying a decision on this matter for a long time although the industry has, on several occasions, emphasised the serious consequences on its viability as a result of the withdrawal of this incentive. New Delhi seems to think that as the jute industry's exports in 1977 rose by about 20 per cent, both in quantity and value, over the previous year, it can afford to forgo the subsidy. Actual exports in the last year were 510,000 tonnes valued at Rs 228 crores compared to 426,000 tonnes worth Rs 191 crores in 1976. There was a rise in the export of hessian, sacking and carpet backing. But it will be unwise to deny the export subsidy on the basis of the export performance for just one year. Hessian constitutes about 50 per cent of the industry's total exports and the last year's increase was due mainly to the better offtake by Russia. As the jute industry continues to face stiff competition from other countries as well as substitutes and as its costs of production are also rising steadily there is a case for reviving the subsidy on hessian and restoring the cuts on the subsidy on woolpack and certain types of cotton backing.

Mr I.K. Kejriwal referred, in his presidential address, to the hardship caused to the jute mills by non-payment of the subsidy in time by the Joint Chief Controller of Imports and Exports due to the paucity of funds at his disposal and he observed that even when funds were available, payments were delayed due to procedural difficulties. This statement is indeed surprising and regrettable since Mr Mohan Dharia, the Commerce minister, has been claiming credit for simplifying procedural formalities and for eliminating delay in the payment of incentives. In fact, Mr Dharia assured the Central Advisory Council on Trade, at its meeting held in New Delhi on May 15 this year, that care would be taken to ensure that the funds earmarked for cash subsidy were not exhausted as in the previous year. But Mr Kejriwal speech shows that assurance is yet to be carried out.

numerous dialogues

Mr Agarwal told the IJMA that a solution was possible to all problems of the jute industry through dialogue and he offered to organise meetings in New Delhi at which frank discussions could be held. But the industry would like to have the minister's good offices for some substantial assistance rather than for merely organising meetings in New Delhi. Numerous dialogues have been held in recent years both in New Delhi and in Calcutta between the representatives of the industry and the government but the major problems remain unsolved. In fact, most of the grievances mentioned by Mr Kejriwal have been highlighted on many occasions in the past but the government has not been responsive. Take, for instance, the purchase policy of the DGS&D, the largest buyer of jute goods in the internal market. For the last eight years the industry has been urging that the DGS&D should enter into a long-term agreement for the purchase of jute goods instead of doing it on a piece-meal basis. Besides, the industry has been pleading for fixing reasonable prices and for prompt payment.

The government has however not responded favourably. Mr Kejriwal said : "I would like to mention that only in June this year, the industry has received the final prices from government in respect of supplies of B. Twills and D.W. flour bags effected by it during the period from April 1973 to July 1975, i.e. after more than three years. The final prices which have been fixed by government on the basis of the recommendations of the one-man commission are much lower than the market prices ruling at the material time. This apart, the industry has lost a substantial amount by way of interest as a result

of the delayed payment by government. We cannot but express our deep regret over the fact that, at a time when the industry is passing through a great financial crisis, it has been made to suffer heavy financial losses by government". In 1977 the DGS&D bought only about 85,000 tonnes of jute goods compared to 190,000 tonnes in 1976 and the total despatches for internal consumption fell to 6.61 lakh tonnes from 7.63 lakh tonnes, a decline of about 13.4 per cent. The government should be concerned with this trend and should try to reverse it in the context of the keen competition that the jute industry is facing in world markets.

import of machinery

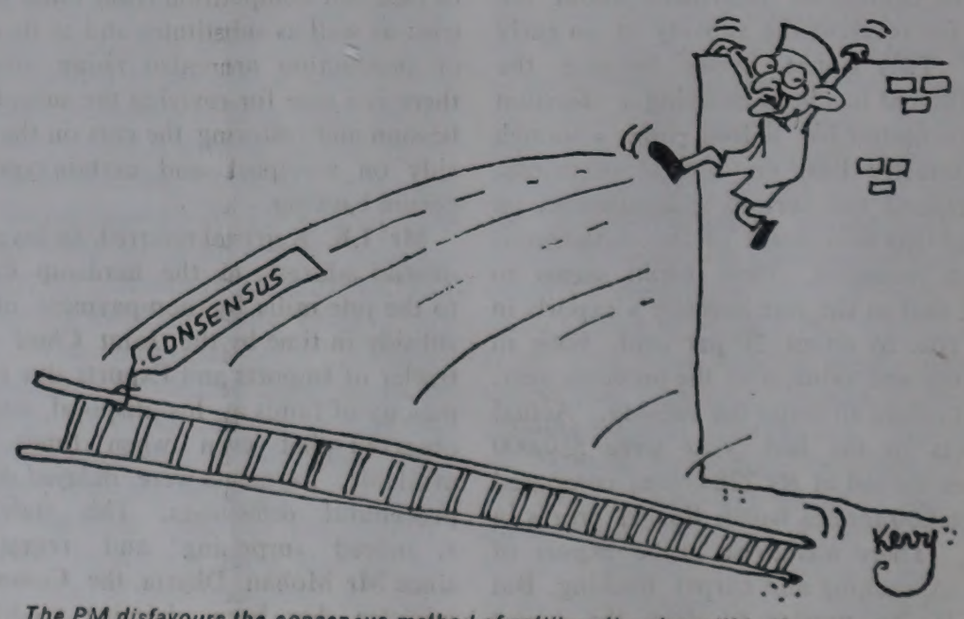
The government has often blamed the industry for its indifference to the problem of modernisation. But at a time when the industry is keen to implement this programme, the government is not adopting a helpful policy. The government has agreed to release Rs 250 crores through the Industrial Finance Corporation for this purpose but, according to the IJMA chairman, "only a small amount has so for been sanctioned and nothing actually disbursed". Mr Kejriwal added: "We are greatly disappointed to find that, under the new licensing policy, the import of jute mill machinery has been put under the banned list. This is going to seriously hamper the industry's modernisation and rationalisation programme, as our scheme envisages that out of the total of Rs 250 crores, about Rs 100 crores worth of machinery will have to be imported, as the same is not indigenously available. I would, accordingly, strongly urge upon government to kindly allow import of jute mill machinery as a special case." The government should take a quick and favourable decision on this request since further delay will push up the costs of modernisation and make it more difficult for the industry to compete effectively in foreign markets.

Dealing with raw jute, Mr Kejriwal made only one major point namely, that the industry should be associated with any policy decision on raw jute and that it should be given representation on the board of directors of the Jute Corporation of India. It will be odd, indeed, to say the least, if the representative body of the industry is denied a seat on the board of the Jute Corporation especially when its activities are being enlarged and diversified. Hardly a year passes without a serious imbalance between the demand and the supply of raw jute and this is the one area where the government and the industry should fully and sincerely cooperate with each other so that the production of jute goods can be maximised and the interests of the grower effectively safeguarded. The government of India and the government of West Bengal have rightly shown concern for giving a fair price to the grower. But it is often overlooked that this is closely connected with the financial position of the jute industry. The government of West Bengal has suggested that the minimum support price for raw jute should be increased from Rs 150 to Rs 250 per quintal. But has it examined the impact of this proposal on the industry's cost of production ?

The government of West Bengal can do a great deal to provide some relief to the jute industry by ensuring adequate and regular supply of power, by maintaining harmony in labour management relations, and by removing the multi-point sales tax which, according to Mr Kejriwal, "has thrown the normal and established trade channels completely out of gear and has thereby affected the mills' liquidity position". The Reserve Bank had estimated that the impact of wages as a percentage of net sales in the jute industry was 25.72 per cent in 1973-74, but the IJMA has revealed that in 1977 this increased to about 30 per cent. The state government therefore should take care to see that while jute labour gets a fair deal from the industry, the latter's viability is not seriously affected.

The jute industry has been often criticised for neglecting research. It is therefore encouraging to learn that in the last year, the Indian Jute Industries' Research Association (IJIRA) broke new ground in this field. As Mr Kejriwal revealed, "IJIRA has developed a new high production jute drawing frame, which is expected to reduce both the initial and maintenance cost of the machine and to lower the manufacturing cost of yarns. This apart, IJIRA has also developed a lighter two-layer hessian bag as a substitute for the standard B. Twill bag. The negotiation with government agencies for bulk trial of these bags is in progress."

Mr Agarwal told the IJMA that the government had no bias against the jute industry. But this assurance is not enough. The government should adopt a more positive approach to its problems and see to it that it is able to contribute its best to the earnings of foreign exchange as well as in maintaining employment in the factory and in the field.



The PM disfavours the consensus method of settling disputes within the government.

CAPITAL'S CORRIDORS

R. C. Ummat

Curbs on big houses? • GSI reorganisation • Small savings

THE MINISTER for Industry, Mr George Fernandes, indicated in a talk with pressmen here last week that the government intended to soon finalise its approach towards reducing concentration of economic power. Recalling that the election manifesto of the Janata party had promised decentralisation of political and economic power, he disclosed that after the various views expressed in cabinet discussions recently, the minister for Law and Company Affairs, Mr Shanti Bhushan, had been asked to prepare a policy paper. The cabinet discussions in this regard were an evidence of the fact that a number of angles came into play on taking a decision on nationalisation. These included ideology, social benefits, creation of job opportunities, sickness in industry and the overall concern over the concentration of economic powers in the hands of a few. Asked what the government desired to achieve by breaking up large houses and family-run concerns, which attempt could easily be thwarted by invisible links among the ostensibly broken-up units, the reply of Mr Fernandes was that this in itself spoke of the complexity of the issue.

Even though the government, on the one hand, is considering reduction in concentration of economic power in the hands of a few and placing of further curbs on the growth of large houses, it has not been averse to sanctioning new projects to some of them in the interest of stepping up production in some of the core sectors such as cement manufacture. The instances in this connection are of Chowgules, Larsen and Toubro and Birlas. While the former two have been given licences for the production of one million tonnes cement each, the latter house has been allowed to expand its existing facilities in the line by about half a million tonnes. With a view to expediting the fructification of new capacity within a period of three years, instead of five years normally taken, the ministry of Industry has even stepped in recently to sort out the problems of IDBI assistance and mining leases which the Chowgules and Larsen and Toubro were facing.

Cement manufacturing capacity is envisaged to be raised to 22.5 million tonnes in the next four years. Of this, 7.5 million tonnes will be in the public sector and the remainder 15 million tonnes in the private sector. The Bokajan and the Cheerapunji units in the public sector are expected to yield significant additional production in the next two or three months. The Pagli project in Bhutan, which will have a capacity to produce 100,000 tonnes cement, is expected to be commissioned by the end of this year, ahead of schedule. It is expected to initially start producing 60,000 tonnes. These units will go a long way in easing the cement supply position in the north-eastern region. The feasibility report from a Swiss consultancy firm –Holder Bank—for setting up a one million tonnes clinker plant in Meghalaya has also been received. It is being processed expeditiously.

The recommendations of the committee which recently went into the issue of setting up mini cement plants in various parts of the country, are also being processed by the ministry of Industry. The cabinet decisions in this regard are expected to be available soon. The Bhilai and Rourkela steelworks, it may be mentioned, have also proposed to put up two cement manufacturing units based on slag to a total capacity of 1.7 million tonnes.

Another important revelation made by Mr Fernandes was that a public sector undertaking had planned with external collaboration an ambitious programme for the manufacture of lamps. This is expected to revolutionise this line of production.

The ministry of Industry, Mr Fernandes disclosed, was proposed to be reorganised soon. It will have two departments of industrial production and industrial development, the latter dealing with policy, planning and general development programmes and the former with Industrial production, both in the public and the private sectors. Currently, it has three departments—the department of Industrial Development, the department of Heavy Industry and the department of Textiles. The Textiles department will be merged with the department of Heavy Industry to make the department of Industrial Production. The Directorate General of Technical Development may go to the department of Industrial Production from that of Industrial Development. The proposed reorganisation, it is felt, will help in rationalising and streamlining the working of the ministry.

* *

The Geological Survey of India (GSI) too is being reorganised with a view to imparting to it greater autonomy and ensuring the fullest participation by scientists at all levels in the planning and implementation of its programmes. The step in being taken following the acceptance by the government of the recommendations of the GSI review committee submitted in December last.

The changes in the organisation have been designed to improve its structure through introduction of cost effectiveness, proper personnel management and optimum utilisation of men and materials, along with the corresponding devolution of powers and responsibilities and more freedom to geologists in view of the rapid expansion, dispersal and diversification that has taken place in the activities of GSI during the last thirty years.

The board of management of the organisation, which will henceforth function almost like a board of directors in a

corporation, would ensure proper devolution of responsibilities down the line, introduce the modern management concept of group decision-making and convert the headquarters organisation into a corporate office structure and thus correct the imbalances resulting from the present status of GSI as a subordinate department of an administrative agency of the government, which had necessitated frequent references to the ministry of Steel and Mines for sanctions and decisions even on relatively minor matters.

The reorganisation envisages the transfer of powers at present vested in the department of Mines to the "board of management of GSI". The board will be an integral part of GSI with one of its officers as the secretary. The eight-member board with five scientists and headed by the secretary, ministry of Steel and Mines, as chairman, will include the director-general, GSI, deputy director-general or senior deputy director-general (Finance), GSI, an eminent geo-scientist, two senior representatives from organisations dealing with earth sciences like the NGRI, ONGC, SOI, AMD, etc., an eminent executive, and a senior representative from the ministry of Finance (department of Expenditure) as members. It may invite other senior officers of GSI to attend its meetings. The additional secretary, department of Mines, will be the alternate chairman.

The functions of the board will be: (a) to consider and approve major policy matters concerning GSI, to lay down priorities for the geological survey, and to plan the organisational changes necessary to meet the long-term requirements of the economy; (b) to facilitate expeditious implementation of the plans and programmes of GSI; (c) to approve the budget for presentation to the government; (d) to consider and approve any major changes in the annual field programme involving substantial reallocation of funds in relation to the approved programme; (e) to consider policies regarding all matters pertaining to personnel management; (f) to approve international collaboration programmes in consultation with the concerned ministries and departments of the government of India; (g) to assess and select persons from within the department to the position of eminent scientist and specialist, and to recommend names for national awards; (h) to exercise in other ways powers of the ministry, both administrative and financial, to enable GSI to carry on its work smoothly and efficiently and to delegate necessary powers to DG, GSI, to achieve such a goal; and (i) to formulate its own rules and procedures in the discharge of its functions as enumerated above.

The board will be the policy-making and sanctioning authority for GSI. Once its overall consolidated budget has been approved by the government, all further powers of direction and sanctions for GSI shall vest with the board. The final executive authority, however, would remain vested in the director-general. There would at the same time be increasing devolution of responsibility and authority, as close to the work area as possible, leading to faster decision-making and improved work output. The board will initially have a tenure of three years and will meet at least once in two months.

In order to help the director-general to achieve the goal, the government has already approved the induction of a few highly professional posts to organise the sectors of personnel, finance, materials management and inventory control and the research and development wings of the earth science.

* *

Even though the scope for small savings in the urban areas is said to be still significant as the self-employed persons have yet to be fully tapped, the ministry of Finance is understood to be working on reorienting the small savings movement to the rural areas where agricultural production and incomes have increased substantially in the recent years. With this end in view, not only the small savings schemes currently in force are envisaged to be improved but also attempts are to be made to evolve some new plans. A committee of experts has been constituted recently to go into the shortcomings of the current schemes and to suggest improvements in them.

Following suggestions received from the state governments and several other quarters, the interest rate on public accounts in the post office savings banks is being stepped up to 4½ per cent uniformly on the entire balance in a public account. Currently, the interest paid up to a balance of Rs 50,000 is 3½ per cent and beyond that limit only three per cent. The Sanchayika scheme is also being improved. It has been decided to allow the Sanchayikas to invest their collections up to 75 per cent in post office time deposits of one and two year's duration which will yield seven per cent and 7½ per cent respectively. Presently, they are expected to keep their money in post office savings bank which yields five per cent interest. It may be recalled that the government has already amended the rules concerning interest accruals on national savings certificate and recurring deposits in banks for the purposes of taxation. The amended rules provided for the annual spread-over of the interest instead of the aggregate interest accruing in the year of maturity.

The small savings movement is stated to have yielded wholesome results last year. The number of savers is said to be nearing 4.75 crores. The gross and net collections last year amounted to Rs 2,015 crores and Rs 540 crores, respectively. While a part of the collections had come from institutional investments, personal savings also increased significantly. This encouraging trend is understood to have continued so far during the current financial year. Small savings are expected to yield Rs 3,150 crores during the five years to 1982-83.

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Some aspects of public debt

S. L. N. Simha

Discussing some important aspects of management of public debt, the author makes out a case for raising the yield pattern on the government securities and also reducing the average maturity of the central government debts, which is in the interest of the depositor in these days of endemic inflation.

IN THIS country, unlike in a few countries such as the USA, the management of public debt has not received much attention in the hands of research workers. This may well be due to the fact that in India the market for government securities is comparatively narrow, a good part of the demand being in the nature of a captive market, a fact which, according to press reports, has been accepted with refreshing candour, by the present governor of the Reserve Bank of India. Moreover, government borrowing operations in this country are still largely seasonal in character, though in recent years the central government has come out with loan offerings during months outside the traditional slack period of May through September. Because of the highly captive nature of the demand for government securities, the rates of interest offered on these securities have been rather low in relation to the prevailing pattern of short-term money rates and the pattern of yields in the highly developed countries.

maturity pattern

Another aspect of the public debt is its maturity pattern. Where government borrowing is of a continuous nature, with an important role attached to public debt as a means of financing economic development, it is recognised that the maturity pattern of public debt should be a balanced one, the debt being spread over from short dated to longer ones. The definition of shorts and longs varies from country to country. Roughly speaking, securities which mature within five years may be termed as short dated ones and those which mature after twenty years as long dated. Compared to the maturity pattern in many countries, that of our public debt has been fairly balanced. So far as the state government securities are concerned, the general pattern for many years now is to issue securities maturing in 10-12 years. Central government loan issues cover a number of maturities, short, medium and long.

The maturity pattern also depends upon whether the authorities want to bring about a reduction in rate or an enhancement. Where a reduction is desired to be brought about, the government would offer it on a shorter than usual maturity. Likewise, when government wants to raise the rate, it offers a longer than usual maturity. This is done with a view to making the transition from one pattern of rates to another in a fairly smooth manner. That is to say, the prices of securities of other maturities do not get disturbed much as a result of the lowering or raising of the government borrowing rate. On rare occasions, however, a higher or lower rate may be offered, without changing the maturity pattern, in order to drive home to the market the clear intentions of the authorities for bringing about a change in the yield pattern. This does require some courage on the part of the treasury and central banking authorities.

POINT OF VIEW

The maturity pattern of public debt is an important policy matter and has to be considered from several angles. It is not good to have too high a percentage in short term debt, since it would enhance the liquidity of the economy and thereby strengthen the inflationary potential. A high proportion of short-term debt will also act to limit the efficacy of dear money policies. Further, long-term institutional investors such as life insurance companies would find it difficult to plan their policies with regard to premium, on account of the likelihood of frequent changes in the complex of interest rates.

From the point of view of the treasury and the Central Bank of the country, a high percentage of short-term debt involves frequent borrowing operations and the fluctuations in the burden of public debt might vary a great deal. On the other hand, the main advantage of a high short-term debt is that variations in the yield pattern do not have much of an impact on prices of government securities. Consequently, there are no great problems of making provision for losses on the government securities portfolio, in particular the holdings of commercial banks.

long-dated securities

The opposite set of considerations will naturally weigh in respect of long-term maturity on government debt. Capital appreciation or depreciation will be substantial in the case of long-dated securities. If a long-dated issue happens to be made at a time when interest rates are unusually low, the depreciation can be very substantial. Banks, in particular, would find this a disadvantage as they have to make provision for the depreciation in their annual accounts, though to the extent that the loans will be paid off at par, the depreciation is notional. If actual sales are made, however, the depreciation loss would be real and has to be set off against current profits.

Where the long-dated securities take the form of non-terminable loans, the depreciation can be truly staggering. Thus, the 2½ per cent British stock, unpopularly known as the 2½ per cent Daltons, issued at par in 1945 or 1946, came down to as low a figure of £18-20. Here in our country, the three per cent non-terminable loan, issued in 1946 (through conversion of the 3½ per cent non-terminable loan), is nominally quoting at Rs 60, though if left to find its own level, it should be no

more than Rs 40-45. The issue of non-terminable loans has been given up everywhere, though the issues made in the pre-war or immediate post-war years continue to be in circulation. It may not be a bad idea, from the point of view of equity, for the government to redeem such holdings of the non-terminable loans outside the Reserve Bank, at a price of Rs 50, so long as the offerings are made by the investor within a stipulated time.

On the whole, it is desirable that the government loan maturities are confined to short and medium issues, the long-term issues being of a modest amount mainly for the benefit of life insurance companies. An important reason for this recommendation is the fact of inflation, which is an endemic phenomenon of modern times.

At this stage, it may be convenient to look at the data regarding the maturity pattern of government debt in India as also the ownership pattern. The maturity pattern of the government of India rupee loans in recent years is given in Table I. The figures represent percentages to total for rupee loans.

marked decline

It will be observed from Table I that in recent years there has been a marked decline of short-term debt and a substantial increase in mediums, medium-longs and longs. Out of the outstandings of loans above ten years, about 60 per cent represent maturities of over 20 years. In other words, about 45 per cent of the central government securities are of a maturity of over 20 years. This looks a little imbalanced. There is thus need for a reduction of the average maturity of the central government rupee debt.

Let us also look at the ownership pattern of the public debt in India. The data are given in Table II, as at the end of March 1976. It will be observed that taking the central and state government securities together, the commercial banks form the largest holder, accounting for about 35 per cent, followed by the Reserve Bank of India, accounting for about 25 per cent of the aggregate securities. So far as the central government securities are concerned, the Reserve Bank of India is the largest holder, followed by commercial banks. In the case of state government securities, the Reserve Bank's holding is nil. Commercial banks constitute the biggest holders, at 53.5 per cent, followed by the LIC, which is the third largest holder in regard to central government loans.

The Reserve Bank, the commercial banks, the LIC and employees' provident funds, between themselves, account for over 90 per cent of the public debt in the country. This being so, one might wonder whether the 'management' of public debt has much significance in India and whether matters like the maturity pattern of debt are of great significance. An alternative may be to do away with formal loan issues and substitute this by a system of book-keeping, the interest rate being fixed by government every year, in consultation with the Planning Commission and the Reserve Bank of India. Probably the time is not ripe for this stage. Meanwhile, the drama of loan floatations and debt management may go on, without much of an audience to watch, with or without approbation.

We may now indicate the desirable changes in public debt policy of the country.

In the first place, there is a case for raising the yield pattern on government securities. Even in the highly developed countries, the gilt-edged yields range from

TABLE I

Maturity Pattern of the Government of India Rupee Loans

End of March	Updated	Over 10 years	Between 5 and 10 years	Under 5 years	Total	Total debt (Rs crores)
1971	5.9	43.0	14.5	36.6	100	4,385
1972	5.4	48.3	14.0	32.4	100	4,785
1973	4.8	53.5	16.0	25.7	100	5,393
1974	4.3	57.0	22.6	16.1	100	5,935
1975	4.0	57.2	22.0	16.8	100	6,517
1976	3.6	57.5	22.6	16.3	100	7,104

TABLE II

Ownership of Government Securities (Rs in crores)

Category of holders	Central & state government securities		Central government securities		State government securities	
	Amount	per cent to total	Amount	per cent to total	Amount	per cent to total
Total	9201	100.0	7093	100.0	2108	100.0
Of which:						
1. State governments	232	2.5	202	2.8	31	1.4
2. Reserve Bank of India (own account)	2257	24.5	2257	31.8	—	—
3. Commercial banks	3192	34.7	2065	29.1	1127	53.5
4. Life Insurance Corporation of India	1309	14.2	875	12.1	434	20.6
5. Employees' Provident Fund Scheme	878	9.5	660	9.3	218	10.3
6. Provident funds of exempted establishments	919	10 0	790	11.1	129	6.1
7. Coal Mines Provident Fund Scheme	48	0.5	47	0.7	1	0.1
8. Assam Tea Plantations Provident Fund	12	0.1	5	0.1	7	0.4
9. Other categories of holders	355	4.0	193	2.8	162	7.6

8 to 12 per cent, whereas in India, the range is from about 5.5 to about 6.75 per cent. There is a clear case for raising the average yield basis by 1.5 to 2 percentage points. If the recent loan floatation on a 6.75 per cent basis is an indication, one may hope that the authorities would move in this direction. The government is already seized of the matter of enlarging the borrowing from the non-banking sector. The issue of 13 per cent five-year development bonds for non-institutional purchase is a welcome step. It would be good if interest is paid every year on these bonds rather than its accumulating with the principal. Our small savings schemes also need to be revamped. It is better to make them taxable but offer higher rates of interest.

There is a clear case for reducing the average maturity of central government debt. For this purpose, for several years to come, the bulk of the new issues must be in the range of 10-15 years. Commercial banks must be discouraged, under the powers which the Reserve Bank has under the Banking Regulation Act, from investing in securities of more than 15 years' maturity. As a complementary measure, banks should also be discouraged from accepting very long-term deposits. I would like to put a ceiling of 10 years to the maturity of deposits which banks can offer. This restriction is primarily in the interest of the depositor, who needs a measure of protection in these days of endemic inflation.

In recent years, it is observed that the quantum of net borrowing by the central government is many times as large as that of the state governments together. In these days, when state governments are keen to have a larger responsibility for their finances, it would be desirable for the central government to cut down its borrowing and let the state governments raise more. This would, incidentally, solve to an extent the problem of larger transfer of resources from the centre to the states. Thus, in 1976-77, the central government raised a net sum of Rs 845 crores as against Rs 197 crores raised by the states as a whole. In the year 1977-78, again the central government raised over Rs 1,000 crores, as compared to something like Rs 175 crores by the states.

The government and the Reserve Bank should put the instrument of treasury bill to good use for fiscal as well as monetary purposes. The present policy of pegging the treasury bill rate at a low level has little to commend itself. With the bank rate of nine per cent, a Treasury bill rate of 4.6 per cent, is hopelessly unrealistic. It is better to let the market know that the rate could be as high as 6—6.5 per cent. It should be possible to induce non-bank investors to put in some money in treasury bills like what has been done in a number of foreign countries, including the USA.

A device of raising the return on government debt is to let public sector companies float bonds/debentures in a big way, at rates mid-way between the yields on government securities proper and those on debentures of private sector companies. Some beginnings have been made and much more could be done in this behalf.

All in all, even with all the limitations that operate, there is scope for some new policy measures in regard to the management of our public debt. It is hoped that this article would stimulate research on the subject by younger economists.

Supply response of groundnut in Andhra Pradesh

J. S. Narain Row

Farmers are becoming price concious and, turning away from tradition, are diverting land to high value crop. This is the finding of the author who has made a study of various crops in Chittoor district where groundnut is fast replacing low income yielding millets.

OILSEEDS ARE next in importance to foodgrains in our agricultural economy. Of these, groundnut, in many respects, is the most important. For, it is not only a relatively cheap and ample source of oil for human consumption, but also an important raw material for a number of industries besides being an excellent animal feed as well as a fertilizer. More, it can be made to bring a tidy foreign exchange.

But, the output of all edible oilseeds including groundnut presently falls short of demand. Of all, the out-turn of "Nature's masterpiece of food values" (groundnut) ought to be increased most to set right the imbalance. Towards this end it must be first known how for groundnut production is responsive to changes in price, yield, rainfall, irrigation etc. This aspect of the crop does not appear to have been probed much in all main groundnut growing regions and districts in the country. This article attempts at investigating the acreage response of groundnut in Chittoor district of Andhra Pradesh during 1955-56 to 1974-75.

Andhra Pradesh, is the second major groundnut growing state after Gujarat. In it, Chittoor looks highly favourable to the crop, if increase in crop's acreage (from 22 to 45 per cent of the gross sown area) in the study-period is assumed as an indication.

Groundnut is predominantly rainfed. Only some 12 per cent of area under the crop is irrigated in Andhra Pradesh. Of course, of late, it has been increasingly becoming irrigated owing to its water economising nature and higher yields of rabi groundnut. Apart from its capacity to do with as little as 15" of rainfall, groundnut is found to grow well in less fertile soils of sandy, loamy and black cotton varieties of light-medium texture. For these soils are highly favourable to good pod-formation and easy harvesting of the crop.

The crop, however, has to contend with a number of rivals. Dry crops are aplenty in India. Generally, almost all millets, pulses, other oilseeds, cotton, tobacco and chillies can be taken to con-

test with groundnut for scarce farm land. Lately, even rice has joined the ranks of rivals with rise in wet-rabi-groundnut. The number of true contestants of course is quite likely to be far smaller than the above. In Chittoor it is four: jowar, bajra, ragi and horsegram.

Chittoor is one of four districts of the Rayalaseema part of Andhra Pradesh, which is known as one of the famine spots of India, because as much as 95 per cent of the total geographical area of the region is drought-prone. The percentage of Chittoor is 89. Rayalaseema is the main groundnut growing region of the state with only 670 mms of annual rainfall. Nearly 28 per cent of the total cultivated area is devoted to this crop, which is higher than under any other crop.

unique position

Chittoor occupies a unique place in the groundnut economy of Andhra Pradesh. It has recorded the highest per cent of increase in area under the crop during 1955-56 to 1974-75. Consequently, as much as 45 per cent of the district's cultivated area is devoted to this crop, which is the highest per cent of farm land among all the major groundnut growing districts of the state. Besides, the yield (1253 kgs. per hectare in 1974-75) too of Chittoor is the highest in the state.

Situated near the border of Tamil Nadu, the district, with an area of 16,000 sq. kms and a population of 23 lakhs, has only 46 (region's 42) rainy days in a year, which gives some 828 mms of yearly rainfall. Further, the rainfall is reported to be well spread out through south west as well as north east monsoon seasons. Agriculturally it is a small district. With forests and barren lands abounding, only about 33 per cent of the total geographical area has been put under the plough till now. The predominant soils are red loams (38%), red sands (19%) and black clays (20%).

Chittoor is the most rural, densely populated and relatively enlightened district of Rayalaseema. The high density of population coupled with a low per cent of net cultivated area has, apart from the small size farm holdings, resulted in a small per capita agricultural land of only 0.44 acres, which is the lowest in the state.

Though as much as 31 per cent of the total cultivated area is irrigated, only 1.4 per cent of it is done by means of canals, which is the lowest per cent of all the districts. Wells are the most predominent mode of irrigation. An idea of the general features of the district can be had from Table I.

Being agriculturally a small district, Chittoor is found concentrating on the cultivation of some seven crops only (Table II). These are rice, jowar, bajra,

TABLE I
Select Indicators of Chittoor

Indicators	Chittoor	Rayalaseema	A.P.
Annual rainfall (m.ms)	828	670	890
Percentage of geographical area under forests	30	21·8	23.8
Percentage of total area drought prone	89·10	95.40	58.80
Density of population per sq. km	145	115	157
Percentage of net area sown to the geographical area	32·90	42·50	41.90
Percentage of area sown more than once to the geographical area	3.60	3·20	6·50
Percentage of net area irrigated to net sown area	30.60	18·40	29·10
Percentage of rural population	86.53	83.56	80.69
Average holding size (hects)	1.73	3·10	2.51
Percentage of literacy	25.40	24.40	24.60
Percentage of total area sown under non-food crops.	42.80	35.90	22.20
Percentage of area sown under groundnut	40·90	27.50	11.40
Yield per hect. of groundnut (kgs)	1253	829	810
Percentage of total irrigated area by canals	1.40	26.50	48.90

Sources: Season and Crop Report of Andhra Pradesh, 1974-75.
Hand Book of Statistics of Andhra Pradesh, 1975-76.
Andhra Pradesh Statistical Abstract, 1976.

TABLE II
Area Under Principal Crops
(Chittoor district) (In '000 hectares)

Crop	1955-56	1960-61	1965-66	1970-71	1974-75
Rice	111(1)	129(1)	117	143	137
Jowar	18	25	18	15	11
Bajra	64	61	35	36	24
Ragi	64	67	59	47	44
Total cereals & millets	**276**	**303**	**245**	**255**	**228**
Horsegram	19	25	13	15	15
Total pulses	25	30	17	20	21
Sugarcane	9	10	15	14	20
Total food crops	333	365	302	316	294
Groundnut	**99(2)**	**112(2)**	**162(1)**	**214(1)**	**249(1)**
Total oilseeds	104	117	167	220	254
Total non-food crops	107	121	171	224	258
Total cropped area	**440**	**486**	**473**	**540**	**552**

Note: Figures in brackets denote ranking

Source: Season and Crop Reports of Andhra Pradesh, 1955-56, 1960-61, 1965-66, 1970-71 and 1974-75.

horsegram, sugarcane and groundnut. Of these, groundnut had increased its fortunes most.

Groundnut still remains a rain-fed kharif crop in the district. Only some 15 per cent of the crop is irrigated during the rabi season. Kharif crop is sown during July-August and picked up in the months of October-November. The rivals have been already made known.

It is the response of groundnut production to groundnut price changes that should have been investigated. But, output being quite uncertain in agriculture, cropped area is taken to be a more reliable indicator of the supply response of agricultural commodities to prices or the price-responsiveness of the farmers. Groundnut is specially known to be an unpredictable legume. As such, its gross sown area is the dependent variable in this analysis.

independent variables

On the independent variables' side are included relative price, relative yield, rainfall and irrigation. Relative price and yield have been derived by deflating price and yield of groundunt with the weighted composite price and yield of the rival crops viz., jowar, bajra, ragi and horsegram. Rainfall is in the sowing months of July-August of the crop. The factor of irrigation is represented by the total irrigated area of the district.

Tables III and IV furnish the absolute as well as relative values of the variables during 1955-56 to 1974-75.

The response of area should have been investigted independently for the kharif and rabi groundnut, if the necessary data were forthcoming separately for the two seasons. For it is a well known fact that the circumstances sorrounding the cultivation of the crop, including rivals, greatly differ between kharif and rabi. It is, however, an happy augury for future research that the data limitations are being fast overcome.

The supply responses have been investigated with the help of a number of variables and statistical tools. A large number of researchers in the field have used what has come to be known after Marc Nerlove, the Nerlovian lagged-

TABLE III
Dependent and Independent Variables
(Chittoor District)

Year	Groundnut (area in '000 hcts).	Harvest price of groundnut (Rs/qut.)	Yield of groundnut (Kgs. per hect)	Rainfall (mms)	Irrigation ('000 hcts)
1955-56	98.6	41.22	1004	200	167
1956-57	113.2	41.33	1029	130	205
1957-58	125.7	35.24	954	102	230
1958-59	101 8	45.94	942	220	195
1959-60	104.0	51.64	942	104	172
1960-61	111.6	54.46	942	137	193
1961-62	107.2	49.95	992	199	163
1962-63	125.2	52.39	848	97	201
1963-64	155.7	54.19	963	131	207
1964-65	148.3	74.06	1207	285	217
1965-66	162.2	94.63	596	164	174
1966-67	147.6	128.62	1030	218	220
1967-68	171.8	96.31	1172	109	208
1968-69	163.2	91.51	978	82	171
1969-70	183.5	121.49	1122	207	203
1970-71	214.0	125.04	1250	295	215
1971-72	243.7	112.26	1329	204	203
1972-73	223.1	165.10	1302	55	226
1973-74	236.4	207.48	1260	196	213
1974-75	249.1	238.50	1161	182	208

Source : Season and Crop Reports of Andhra Pradesh, 1955-56 to 1974-75.

TABLE IV
Indices of Variables
(Chittoor District)

Year	Area of groundnut	Relative price of groundnut	Relative yield of groundnut	Sowing time rainfall	Total irrigated area
1955-56	100	100	100	100	100
1956-57	114.81	93.96	56.05	65.00	127.75
1957-58	127.48	63.42	81.11	51.00	137.72
1958-59	103.25	82.59	55.86	110.00	116.77
1959-60	105.48	87.39	66.11	52.00	102.99
1960-61	113.18	86.60	79.94	68.50	115.57
1961-62	108.72	72.62	84.69	99.50	97.60
1962-63	126.98	75.47	67.62	48.50	120.36
1963-64	157.91	86.99	72.04	65.50	123.95
1964-65	150.41	90.88	113.33	142.50	129.94
1965-66	164.50	90.40	60.87	82.00	104.19
1966-67	149.70	123.16	79.81	109.00	131.74
1967-68	174.24	88.18	97.32	54.50	124.55
1968-69	165.52	83.57	93.68	41.00	102.40
1969-70	186.11	121.02	95.64	103.50	121.56
1970-71	217.04	136.79	82.95	147.50	128.74
1971-72	247.16	102.83	90.10	102.00	121.56
1972-73	226.27	124.97	84 90	27.50	135.33
1973-74	239.76	125.70	62.30	98.00	127.54
1974-75	252.64	103.85	68.31	91.00	124.55

adjustment model. A simplified form of it is used here.

$X_t = a + b_1P_{t-1} + b_2Y_{t-1} + b_3R + b_4I_{t-1} + B_5X_{t-1} + b_6T$

X_t and X_{t-1} represent the actual sown area in time period "t" and the previous year "t-1".

a is a constant.

P is the relative price of groundnut.

Y is the relative yield of groundnut.

R is the rainfall.

I is the irrigation factor.

T is the time element.

The surprising thing in the equation is X_{t-1}. For, 1 minus the value of X_{t-1} yields the Nerlovian adjustment factor (B). Its value is said to lie between 1 and 0, and is handy in estimating long- run elasticities.

Results and Conclusions

$X_t = -0.02 + 0.64P - 0.08\ Y - 0.001\ R - 0.005\ I + 0.40X_{t-1} + 3.72\ T$ (2.97) (0.37) (0.01) (0.02) (1.91) (2.19) $R^2 = 0.93$

Surprisingly, the impact of both rainfall and irrigation is negative, though small. Variations in yield too come out with a small negative impact. The influence of price even in the short-run emerge out to be positively large. Similarly tradition, as represented by the value of X_{t-1} also seems to exert considerable influence on the acreage decisions of the farmers. The most surprising result, however, is that of T or time trend. This is explainable. For with the passage of time, high income crop like groundnut is quite likely to replace low income ones like millets. Thus, the process of modernisation itself is quite likely to divert the farmers' attention to the high value crops.

On the whole, it appears that farmers in the country are not only price-conscious but are also increasingly becoming so. This calls for a fixation of quite remunerative price for groundnut for increasing output appreciably. Further, in our effort to solve the edible oil crisis once for all, it is necessary to identify places like Chittoor which possess high potentialities of growth.

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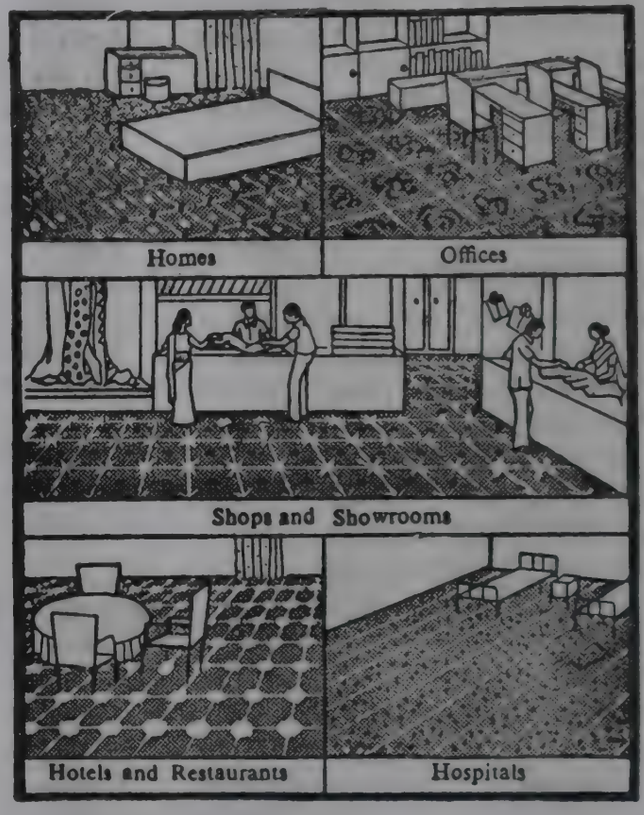

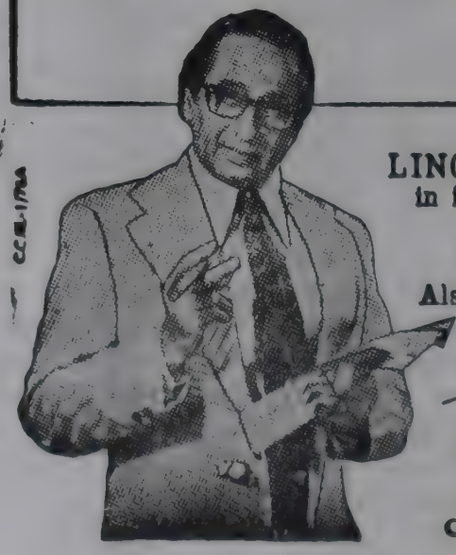

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US energy crisis and its global fallout

Sudhir Sen

New York

No meaningful energy legislation that will cut down voracious oil consumption of the USA, which holds the world economy a hostage, is anywhere in sight, says the author. And the threat of a new recession is not too far down the road.

IT WILL be soon 15 months since president Carter unfolded his comprehensive energy package in a nationally televised address at a joint session of the Congress (April 20, 1977). He had given it the highest priority in his legislative programme; he did his utmost to impress its overriding urgency on the Congress and the nation, and went the length of declaring it "the moral equivalent of war"; and he reverted to this theme time and again at numerous conferences and public utterances. Yet, after all these months the USA has no energy legislation; the Congress is unable to agree on its major provisions and the stalemate seems likely to continue indefinitely.

WINDOW ON THE WORLD

Meanwhile, the world economy in many ways has become a hostage to the voracious energy appetite of the USA. Its oil import bill has soared and now amounts to a stunning total of $45 billion a year. And this in turn has thrown its balance of trade into a huge deficit, currently amounting to an estimated annual rate of $27 billion. Its effects are now felt everywhere—steep decline of the dollar, chronic instability in the exchange markets, disruptions of the world trade, accelerating inflation in the USA and elsewhere, rising protectionist sentiment, and threat of a new recession not too far down the road. Clearly, the outside world has a major stake in what happens on the US energy front.

There has been a long, and sometimes acrimonious, debate about the causes of the failure to enact an effective energy legislation. The White House, the Congress, and the oil industry have traded charges off and on, while the public in general has remained largely apathetic, unwilling to believe that there is, or likely to be, an energy crisis, unable to comprehend the long-range implications of the current trends, unconvinced about the need to change their energy-intensive lifestyles. The maze of complexities resulting from the multiple clash of interests—among consumers, producers, refiners, distributors, environmentalists and the divergent attitudes of political leaders, both on national and regional plane—need not detain us here, however fascinating they may be to a serious observer of the American economic scene. However, to understand the present tangled situation and to assess the likely prospects of the stalled energy bill it is essential to turn one's attention to a few fundamental facts.

When the energy crisis burst like a bombshell with an overnight quadrupling of the oil price, all major industrial nations ran for shelter in panic—they tightened their energy belt, ruthlessly slashed their oil imports and clamped down stringent measures to narrow the gaping trade balance. The USA, however, did nothing of the sort; once the Arab oil embargo was over and the normal flow of crude was restored, business went on as usual; the high per capita consumption of energy was barely affected.

Not only that; the USA did something else that was quite extraordinary. This vaunted citadel of free market enterprise instituted an elaborate system of price control for domestic oil. The reason was partly to shield the consumer from the oil shock, partly also to keep an equitable balance between the oil-producing states of the south about to receive a huge windfall and the oil-importing states of the north-east about to be heavily penalised by the rocketed world price. The result was an incredibly cumbersome "entitlements system".

entitlements nightmare

The New York Times, in a leader on "Ending the Oil 'Entitlements' Nightmare", explained the system in the fewest words (June, 14) which are well worth quoting:

> "The theory is simple enough. Refiners report oil purchases each month, domestic and foreign, to the Government. Refiner A, reliant wholly on imports, might report a cost of $14 a barrel. Refiner B, who gets all his crude oil from domestic sources, might report $5. The Department of Energy determines the national average price; figuring in various special situations, that comes out to about $12. Refiner A is entitled to receive $9 from the system for each barrel he refines; refiner B owes $7 for each barrel he refines; and every region is treated fairly."

In practice, this hastily patched-up system has been a prolific source of trouble. The regional equity it was supposed

to ensure was far from perfect. For example, its application was limited to crude oil, and did not extend to refined petroleum products; yet the eastern states have to import such products in substantial quantities. The administrative problems it posed were stupendous and called for an army of officers. Evasions and irregularities were rampant and they led to countless, time-consuming litigations. Worst of all, it discouraged domestic production; there are large quantities of oil that could be produced from the existing wells, but at greater depths and therefore costing more than the controlled price of $5 a barrel. Such oil remained untapped; this means that, to a large extent, price control indirectly subsidised imports at the expense of domestic output.

The same conclusion holds good for natural gas, though the trouble here began much earlier, around 1949, with the introduction of gas pricing. The price has been kept consistently low, so low that it stimulated the consumption of natural gas, encouraged a switch from coal and oil, discouraged domestic exploration of energy, and spurred the imports of low-cost, pre-OPEC oil.

Carter's goals

The goals president Carter set out to achieve through his comprehensive proposals were: To reduce the annual growth rate in the country's energy demand to less than two per cent, to cut the gasoline consumption by 10 per cent, to reduce imports of foreign oil to six million barrels a day, or to less than half of what they would be if the nation did not conserve, to establish a strategic petroleum reserve of one billion tons a year, to insulate 90 per cent of American homes and all new buildings, and to use solar energy in more than 2.5 million houses.

The most important feature of Mr Carter's energy package is the Well-Head or Crude Oil Equalization Tax (COET), to use its official label; it was to be phased in over three years in order to raise the demestic crude-oil prices, now at an average of $8.52 per bbl., to the OPEC level of $13.50 per bbl. Its purpose was, first, to discourage domestic oil consumption through higher prices, and, second, to abolish the senseless system of entitlements and allocations. To encourage increased domestic exploration and production and thereby to reduce imports, the plan would allow the price of newly-discovered oil to rise to the 1977 OPEC level and permit the oil companies to retain the increased revenue. Finally, in order not to drain away too much consumer spending power through the COET, which could adversely affect economic activity, it provided that the tax proceeds would be largely if not wholly recycled back to the consumers in the form of rebates.

bonanza producers

Next in importance to COET is the provision regarding natural gas. For years there has been a fight in the Congress between the advocates of deregulation on the plea that higher prices determined by the market forces would spur greater production and its opponents who insisted that such a step would simply penalise the consumers and offer a bonanza to the producers since the prospects of discovering new sources of gas and, therefore, of increasing domestic output were slim.

There was a further complicating factor. During the presidential election campaign, candidate Carter, in his anxiety to win the crucial support of the four key oil-and-gas states of the south, had given a clear pledge that, if elected, he would follow the policies laid down by president Ford and would phase out the price control of natural gas. But president Carter's energy package contained no such provision. On the contrary, it wanted price control to continue indefinitely with two changes: the control would apply uniformly to all states, including the producing states where the "intrastate price" had hitherto been left free and the ceiling price would be raised from the existing level of $1.47 to $1.75 per 1,000 cft. The stage was thus set for a bitter fight around the question of natural gas price deregulation with the disappointed southern states solidly arrayed against the energy bill.

Among the other items contained in the bill are a step "gas-guzzler tax" to penalise cars giving very low mileage per gallon, accompanied by rebates for fuel-efficient cars; credits for home insulation as an essential energy conservation measure; tax incentives for coal use, especially to induce industries to switch from oil and gas to coal; utility rate reform to discourage the discounts given to large-scale consumers of electricity and to offer discounts to customers using power in off-peak hours and special tax credits to home owners using solar energy. These are all desirable objectives; there is also broad agreement about the need for effective measures to realise them. The differences in these cases are mostly of detail and about the relative efficacy of the various alternatives.

It must be admitted, at least in hindsight, that the troubles the energy bill has run into were in good part unwittingly invited by its authors. First of all, there was very little pre-consultation; energy chief James Schlesinger assisted by a dozen aides put together the whole programme; there was no sounding of Congressional leaders, no attempt to obtain "inputs" or advance reactions from outside experts; even the key cabinet members in charge of departments directly affected by it were kept out of the exercise. All this ran counter to the traditional practice of broad-based consensus-building before launching a legislative programme of such far-reaching significance. Besides, far too much was packed into the programme which ran into 283 pages and covered over 100 separate items. Its very comprehensiveness became a major drawback. That pushing it through the Congress would be an inordinately time-consuming task was not hard to predict.

fundamental defects

Far more serious, however, were two other defects because they were of a more fundamental nature. The programme was predicated on a severe enery shortage that was supposed to develop in the late eighties or thereabouts, unless the annual growth rate of energy consumption were immediately slowed down. This, even at its best, was a speculative thesis; the nation was not ready to accept it; and it was frontally attacked by a good many experts. The debate on a future energy crunch still continues and nobody knows when it will end and how. Meanwhile, what it has done is to divert attention away from the problem that was already at the doorstep and was crying out for

solution: the huge oil import, the staggering trade deficit, the dollar decline and its global fallout. America currently imports nearly half of its oil, for which it sends out almost $4 billion every month. The energy bill did not come to grips with this immediate problem of massive dollar haemorrhage. Even if enacted with the COET, it will hardly make a dent in the problem.

For, while rightly underscoring the urgency of conservation, the bill ignored the importance of boosting domestic production, although, for the short-run, it had acquired an even greater urgency because of the need to curb oil imports and to rectify a fast-deteriorating trade balance. This lopsidedness was bolstered with the hasty assumption that domestic production was not price-elastic, although it blithely overlooked the fact cited earlier, namely, that a very substantial amount of oil (and gas) could be quickly brought on stream from existing wells at prices between the controlled price of $5 and the OPEC price of $13.50 a barrel.

The administration was gratified when, in June 1977, the House passed the energy bill with some changes, but without tampering with its Well-Head Tax and natural gas provisions. And it waited in a relaxed mood, apparently expecting that it would be accorded the same kind of treatment also in the Senate. This was a grievous miscalculation. What happened in the House was that its speaker, Mr Thomas O'Niell, concerned more with follow-the-leader principle than with the substantive merits of the bill, used all his political clout to push it through the House at record speed. But the Senate climate was less docile and more discriminating. In particular, Senator Russell Long (Democrat of Louisiana), who has a decisive say in all fiscal matters, refused to go along with the White House on the crucial Well-Head Tax.

Besides, for months a battle raged between the Senate and the House conferees on the natural gas deregulation issue, punctuated by deadlocks, truces, and long vacations. And it was only on May 24, after 219 days of intermittent effort, that an agreement was finally worked out, under which the price of natural gas will gradually go up till 1985 when control will be lifted altogether, leaving its price to be determined thereafter entirely by the market forces, subject to the proviso that should an emergency develop, the president would have the authority to reimpose controls.

Agreements have also been reached by the House-Senate conferees on several other provisions of the bill relating to such matters as conservation, coal conversion, utility rate reform, after most of them have been considerably watered down during the negotiation process. In any case, it will take time even for these weak agreements to be embodied in new legislation. Besides, no headway has so far been made with the COET which was conceived as the centrepiece of the energy bill. In a Congressional election year the chances of new taxation that is expected to push up gasoline prices may be rated as close to zero.

What all this means is that no meaningful energy legislation that will cut down oil imports and will help the trade balance and the dollar, is anywhere in sight. In view of the continued uncertainty on the legislative front there are now increasing talks of administrative action to levy an import fee, say, at $5 per barrel or, alternatively, to lay down quotas for oil imports. However, it is highly problematical if such talks will crystallise into official action in the near future.

Gold market developments: 1975-77

Michael Galen Martin

With recent changes in the official monetary role of gold and the highly volatile movement of gold prices, much attention has been focused on the gold market in the last few years. This article, which appeared in IMF Finance and Development *of March 1978, discusses the extent to which monetary actions have affected bullion prices.*

In August 1975 the Fund's interim committee of the board of governors on the International Monetary System (interim committee) agreed that 25 million ounces of gold should be sold by the Fund for the benefit of developing countries, and that another 25 million ounces should be distributed ("restituted") to Fund member countries. It was also agreed that the official price of gold would be abolished upon ratification of the second amendment of the Fund's Articles of Agreement. These agreements, in conjunction with sales of monetary gold holdings by the US Treasury in 1975, represented a significant change in the monetary role of gold. Contrary to market opinion, however, they played only a contributory role in the sharp decline in bullion price since 1975.

The highly volatile movement of gold prices over the last few years was due in large part to abrupt variations in the speculative demand for gold and the fluctuation in supplies from communist countries. Moreover, since the gold market is very sensitive to actual and expected changes in currency values and interest rates, the generally unstable economic conditions of recent years have also contributed to the market's movements.

The speculative demand for bullion is intrinsically unstable. Gold is not an interest-earning asset and holders only earn a return if its market price rises. Thus, speculators tend to buy only if they expect gold prices to increase more than anticipated returns on other investments. Rising prices on the gold market tend to create expectations of further price advances while falling prices tend to lead to expectations of further declines. Movements in gold prices, therefore, tend to be self-reinforcing and may encourage excessive price variations.

Another factor in the volatility of gold prices is that speculators tend to use gold as a hedge against inflation—to buy when inflation is expected to increase and sell when it is expected to decline. The sharp changes in the rate of inflation during the 1970s have consequently contributed in

large measure to a large variation in bullion prices.

In addition to the instability of demand for gold, private and official reserves are large relative to current production—official holdings are probably about 35 times larger. As a result, the gold market is quite different from that of most other commodities in that only slight changes in expectations concerning adjustments in stock levels can have profound effects on the speculative demand for bullion.

The other key feature distinguishing gold from other commodities is its monetary function. The monetary role of gold has in fact now largely been eroded, but expectations that it will yet be resurrected persist, particularly in period of currency turmoil. The changing value of the metal in the marketplace partly reflects the waxing and waning of such expectations. Thus, the gold sales of the Fund and the US Treasury were a factor in the initial decline in gold price, not only because of supply effects, but also because they contributed to a fall in demand.

fluctuating supply

On the supply side, sales from communist countries fluctuated markedly between 1970 and 1976 (Table 1). Sales from the Union of Soviet Socialist Republics, the major supplier in this group, tend to vary with its agricultural output and are often related to its needs for foreign exchange. In 1976 in particular, poor agricultural harvests forced the Soviets to increase considerably the amount of gold they marketed to bridge a widening balance of payments deficit.

To understand why bullion prices declined in 1975 and 1976, it is also important to consider the historical context. The price of gold rose sharply in the early 1970s from around $45 an ounce at the end of 1971 to almost $200 an ounce by the end of 1974. A multiplicity of factors contributed to this rise. Perhaps foremost was the serious inflation prevailing in the industrialised countries. Speculative demand for the metal was also fueled by uncertain currency values, apprehension about the so-called energy crisis and weak equity markets. Demand for gold was further boosted by the prospective liberalisation of gold ownership in the United States and a worldwide boom in commodity prices--involving an 83 per cent increase in world metal prices in 1973 and 1974 and a 180 per cent rise in silver prices. This marked rise, however, could also be seen as a reaction to the suppression of price increases which had existed since 1934. In fact the real price (in constant dollars) of gold fell by 75 per cent from 1934 through the early 1970s because the nominal price of gold remained steady at $35 an ounce while other prices rose.

The price of gold fell sharply from almost $200 an ounce in the end of 1974 to almost $100 an ounce in August 1976. This abrupt price decline happened partly as a correction to the overvaluation which had evolved over the preceding three years, and partly because the boom in commodity prices peaked in 1974 world inflation began to abate and the market estimate of US demand for gold proved to be overstated. The decline occurred despite an 11 per cent reduction in the amount of bullion supplied to the market between 1974 and 1975, which was due to a fall in the mine output of western countries and lower sales by the USSR.

Net official monetary sales were small —about 15 tons in 1975 compared with 20 tons in 1974. Many observers attributed the fall in gold prices to the decisions of the US Treasury and the Fund to sele gold from official holdings in 1975. These sales, however, accounted for only three per cent of all the gold supplied to the market in this period. The gold sales made by the US Treasury and the Fund did, of course, curtail speculative demand insofar as they altered expectations about the future disposition of officiel gold.

The drop in gold prices in 1975 was entirely due to reduced demand Table II). Speculative and investment purchases of gold dropped to only 164 tons in 1975 from 519 tons in 1974. A 226-ton increase in fabrication demand, prompted largely by the attractiveness of lower bullion prices, only partially offset the market decline. The drop in prices was to a large extent a reaction to the power response of investors in the United States to the removal of the ban on private ownership of gold. Investors made large-scale sales from gold holdings built up in 1974 in anticipation of strong US demand for gold and these sales led to the largest recorded fall in gold prices over a short period of time. In London the price of gold fell $30 an ounce in the first seven days of January 1975.

A number of factors apparently contributed to the unexpected weak demand

TABLE I

Estimated Supply of Gold Bullion 1950-76

(in metric tons)

	1959	1960	1970	1971	1972	1973	1974	1975	1976
World production[1]	755	1,049	1,274	1,236	1,183	1,121	1,010	957	966
Net trade with CMEA countries[2]	—	177	—3	54	213	275	220	149	412
Official purchases or sales[3]	—288	—262	—236	96	—151	6	20	15	70
Total supplies (net of official purchases)	467	964	1,035	1,386	1,245	1,402	1,250	1,121	1,448

1. Excluding CMEA countries.

2. Members of the Council for Mutual Economic Assistance (CMEA) are Bulgaria, Cuba, Czechoslovakia, the German Democratic Republic, Hungary, Mongolia, Poland, Romania and the Union of Soviet Socialist Republics.

3. The definition of official sales includes activities of government-controlled investment and monetary agencies in addition to central bank operations. This category also includes Fund sales and distribution ("restitution") to member countries. Minus sign indicates official purchases.

Source: Based on data from *Gold 1977*, Consolidated Gold Fields Ltd, London, June 1977.

for gold by US resldents. Most important perhaps was the absence of an established tradition of private gold holding in the United States. Moreover, a single 400-ounce bar, then valued at about $75,000, was too expensive for personal trading. The sharp price increase in 1974, too, had made gold seem high-priced and unattractive for investment, especially compared to other commodities which had declined in price in 1974. The fall in gold prices immediately after ownership became legal may also have been discouraging.

weak demand

The weak demand also contributed to a relatively poor response to the US Treasury's gold auction on January 6, 1975. At the auction, bids were received for less than half the two million ounces offered. In addition, bid prices were considerably below the prevailing market price, the cutoff price set at $153 an ounce compared to a morning fixing price in London of $173 an ounce. As dealers worked down inventory positions, gold imports into the United States fell close to zero early in 1975, a sharp decline from a monthly average of almost 200,000 ounces in 1974. In fact, the inventory surplus caused the customary premium of gold in New York over London to move at times to a discount.

On the supply side, restrictions on the purchase of gold coins, too, meant an increase in the amount of gold the market had to absorb in the form of bullion. The United Kingdom banned the import for domestic sales of gold medals and gold coins minted after 1837, effective April 15, 1975 and discontinued the sale to residents of new sovereigns. In 1974, the United Kingdom had absorbed about 29 per cent of the production of South African Krugerrand gold coins. (Each Krugerrand has one troy ounce of fine gold which makes it easy for buyers and sellers to negotitate its price in relation to the market price for gold at any time.) The declining premium of the Krugerrand over the price of bullion had already prompted the South African authorities to consider reducing the output of Krugerrands. Thus, South African coin production, which had absorbed about 30 per cent of its total output before the imposition of the measure, fell to only about 15 per cent of gold output for the remainder of 1975 and 1976.

The US Treasury held its second gold auction at the end of June 1975, offering 500,000 ounces of gold. Bidding interest at the US gold auction in June was strong, contrasting sharply with weak demand at the January auction. Almost all of the gold on offer was sold on June 30 and at a rate only slightly below the prevailing market price. The cutoff price of $165.05 appeared to serve as a consolidation level and the price of gold subsequently fluctuated around this for several months. The increased confidence of leading dealers who had been able to absorb the US Treasury's sales led to some broadening of the market demand for gold.

After stabilising at around $160-170 an ounce from April through August, gold prices declined sharply in September 1975 when the interim committee of the Fund agreed to sell 25 million ounces of gold and distribute ("restitute") another 25 million ounces to member countries. In addition, for a specified period, the Group of Ten and other participating nations agreed to further changes in the monetary role of gold; (1) there would be no action to peg the price of gold; (2) the total stock of gold then in the hands of the Fund and the monetary authorities of the Group of Ten would not be increased; (3) the parties to these arrangements would respect any further condition governing gold trading that their central bank representatives agreed to at regular meetings; (4) each party would report semi-annually to the Fund and to the Bank for International Settlements (BIS) the total amount of gold bought or sold; and (5) these arrangements would be reviewed by the participants at the end of two years and then continued, modified, or terminated.

A number of reasons were advanced by market analysts why these official arrangements need not affect the market. First, they noted that it would be in the interests of the Fund and in particular of its developing member countries, to

Table II

Gold : Fabrication, Speculation and Investment Demand: 1970-76

(in metric tons)

	1970	1971	1972	1973	1974	1975	1976
Purchased for Fabrication							
In developed countries	767	841	1,015	745	710	704	823
In developing countries	611	549	332	111	21	253	536
Total Demand for Fabrication	**1,378**	**1,390**	**1,347**	**856**	**731**	**957**	**1,359**
Of which:							
Carat jewellry	1,063	1,059	995	510	229	511	936
Electronics	91	88	107	127	92	64	72
Dentistry	63	69	71	73	61	64	70
Other industrial and decorative uses	62	69	70	71	59	56	61
Medals, medallions and fake coins	54	52	40	21	5	18	41
Official coins	46	54	63	54	285	244	178
Net Speculation and Investment Demand*	**(343)**	**(4)**	**(102)**	**546**	**519**	**164**	**89**
Total Demand	**1,035**	**1,386**	**1,245**	**1,402**	**1,250**	**1,121**	**1,468**

*Excluding coins, but including "identified bar hoarding". Parentheses indicate net sales.

Source : Based on data from *Gold 1977*, Consolidated Gold Fields Ltd., London, June 1977.

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secure as high a price as possible for the gold in order to permit a larger volume of financing for the trust fund to provide balance of payments assistance to needy members. This, of course, suggested that the gold would be marketed gradually. Second, it was argued that some central banks might purchase gold disposed of by the Fund and thus reduce the flow of gold to the private market.

These considerations, however, appeared to have been outweighed by the great sensitivity of market participants to any official sales of gold. Apart from sales of Fund gold—25 million ounces correspond approximately to one year's output of newly mined gold by South Africa—there were rumours of a further gold auction by the US authorities later in the year and additionaal sales by the USSR to finance food imports. Investors, already disappointed by the weaker trend in prices during August, put substantial amounts of gold on offer. These sales increased around mid-September 1975 and were variously described as "self enforcing" and "panicky" when they coincided with the sharp strengthening of the US dollar in the exchange market and the announcement of a 17.9 per cent devaluation of the South African rand. The rand devaluation emphasised the importance of gold exports for South Africa's balance of payment and consequently lowered expectations of the likelihood of a curtailment in these supplies.

moderate movements

During the remainder of 1975, market price movements moderated. Apparent differences in interpretation of the consensus reached at the interim committee meeting led to reduced expectations of impending official sales. An easing of the US dollar in international exchange markets and lower interest rates on short-term investments in dollar-denominated instruments, which enhanced the attractiveness of a position in gold, helped to stabilise demand for gold. Concern over the potential effects of a financial default by New York City also tended to support the price of the metal. Moreover, the sharp fall in gold prices during the summer revived the interest of some of the more traditional purchases of bullion. Market reports indicated a substantial increase in demand from hoarding circles in the far east as well as an increase in the interest of industrial and artistic users in Europe.

rising supplies

The decline in gold prices continued in 1976. Supplies, however, rose substantially and reached their highest level since 1968. Aggregate supply reportedly amounted to 1,448 tons in 1976, a 30 per cent increase from 1975. The increase stemmed principally from very heavy Soviet sales, the highest since 1965 and sales of holdings by the People's Republic of China which, combined with sales from eastern European countries, amounted to 412 tons in 1976 compared with 149 tons in 1975. The gold output of western countries increased by about one per cent to 966 tons in 1976, making an end to five years of consecutive decline in gold production (Table 1). Net official sales accounted for 70 tons of supply in 1976. Total official monetary sales amounting to 144.2 tons (including 121 tons sold at the Fund auctions) were offset by official purchases of about 75 tons, largely by the middle and far east.

Demand also rose considerably in 1976, principally as a result of a sharp rise in imports of gold bullion and jewellery into the middle east. Demand from the area accounted for about one-third of total demand in 1976. Among the components of demand, fabrication of carat jewellery rose by over 80 per cent to 936 tons in 1976, accounting for about 65 per cent of total gold demand. Industrial and commercial demand, excluding carat jewellry, medals and medallions, rose about 10 per cent. Speculation and hoarding demand accounted for only a small part of aggregate demand, declining to 89 tons from 164 tons in the previous year. The fabrication of official gold coins continued to decline, falling from 22 per cent of non-monetary absorption in 1975 to 12 per cent in 1976.

The rise in demand was nonetheless not enough to prevent the price of gold from falling until the end of August 1976. At the beginning of the year, gold prices declined further when the Fund confirmed the agreement of August 1975 regarding the disposition of the Fund's gold. According to the agreement, Fund gold sales and distribution ("restitution") were planned to start without delay and sales would be made in public auctions over a four-year period. Furthermore, the Fund would have the power to sell any part of the gold left after the distribution of the 50 million ounces already agreed upon.

A report indicating the likelihood of increased sales of gold by communist countries deepened the market's apprehension. Although sales from the USSR generally coincide with periods of strong demand and rising prices, a continued trade deficit of about $5 billion seemed to require financing either through borrowing on the Eurocurrency markets or through gold sales. Since the Euromarkets were unlikely to be able to supply financing of the order of $2.5—$3 billion, gold sales were expected to expand. Essentially, the uncertainty regarding supplies of bullion rendered gold a less attractive short-term investment. In addition, political and military unrest in southern Africa contributed to the uneasy atmosphere. Investor interest was also diverted by the strong recovery of the US equities market and recent sharp rises in commodity prices, particularly for silver.

South African sales

South Africa needed foreign exchange to deal with a worsening balance of payments situation and yet did not want to place additional pressure on gold prices through stepped-up bullion sales. Consequently, in March 1976, South Africa effected a swap, a spot sale of five million ounces of gold from reserves combined with a concomitant forward purchase. The transaction, similar to a loan collateralised by gold in its effects on the market, allowed South Africa to improve the liquidity of its reserves without increasing bullion supplies to the spot market.

The first auction of the Fund's gold took place in June 1976 and was followed by regular auctions at six-weekly intervals. Gold prices, which fluctuated narrowly between $125 and $135 an ounce from February through June 1976 in light and nervous trading, dropped precipi-

tously in July and August. From a technical point of view, it was not the increase in the supply of gold from the Fund's sales but a sharp shift in speculative demand that created the abrupt decline in gold prices. In July, market participants put pressure on gold prices when they began selling in disappointment over the results of the Fund's second gold auction held on July 14. Then in August, when reports from Zurich indicated that buying interest may be limited in the September auction and that the major Swiss banks would probably not participate, selling pressure increased. Although soon denied, these reports led to substantial offers of gold by way of liquidation of short-term holdings.

pressure on prices

Under these uncertain market conditions, prices reacted sensitively to various news reports appearing to support a bearish outlook in the bullion markets. Speculation that monetary anthorities might be more reluctant that had been hoped to stem sharp price declines in the gold markets also contributed to the pressure on prices. During July, France, which had acquired 79 million ounces of gold from the BIS following the first two Fund auctions, stated that it would not attempt to support the price of gold by intervention but would leave gold prices to be determined purely by the forces of supply and demand.

After reaching a low of $103 an ounce on August 31, 1976, the price of gold entered a period of recovery. Several factors contributed to the stronger market conditions. Considerable new demand was reportedly originating from the middle east and interest from the far east remained strong. Reports of a record Soviet harvest suggested reduced USSR gold sales for the purpose of financing grain imports. In addition, industrial and artistic users of the metal began to rebuild their stocks when the prices appeared to have bottomed out. The possibility of a more expansionary economic policy following the results of the presidential election in the United States and concern about an acceleration in inflation added to the demand for gold as a hedge against inflation. Finally, a US Treasury study released in October projected that over the coming five years the industrial demand for gold would considerably exceed current production. According to the study, sales from official holdings could rise to 25 million ounces by 1985 without depressing the real price of gold. In the absence of such a large increase in monetary sales, gold prices would have to increase to balance supply and demand.

Gold prices continued to rise during the first quarter of 1977, reaching over $150 an ounce in mid-March, in spite of a considerable augmentation in the supply of gold to the market. The People's Republic of China exported about 2.6 million ounces of gold to the United Kingdom in December 1976, the first exports to the United Kingdom for some years, most of which was apparently sold on the market early in 1977. In April, South Africa effected a new swap arrangement, with sales of probably just under three million ounces of gold.

The Fund's first distribution ("restitution") operation began on January 10 and ended near the end of the month, involveing the transfer of six million ounces to member countries based on members' quotas as of August 31, 1975. While little of the gold found its way onto the market, it did tend to dampen demand for the metal as apprehension that it might be offered nevertheless lingered.

Prices then drifted lower, fluctuating between the lower $130s and the upper $140s from April through August, before an upward trend reasserted itself toward year-end. The strengthening in prices, which took place steadily in September and October, appeared to originate in a re-emergence of speculative demand. By mid-November 1977 the price was around $168 an ounce. The recovery, which had begun in September 1976, had by this time offset almost two-thirds of the price decline which had taken place since early 1975.

The gold market, then, has been marked by wide price swings over the last five years. Essentially, the gold market is composed of participants who tend to react sharply to new information, causing rapid price reversals. Sharp variations in the amount of bullion marketed by the USSR has also added to price instability over the past few years. Contrary to some market commentary, actual supply effects stemming from gold sales by the Fund and the US Treasury have thus far not been the dominant influence on the market, although it is true that the sales have increased instability of speculative demand. Over time the influence of these monetary sales on the market has diminished as investors have come to accept Fund auctions as an integral part of the current market situation at any time.

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MOVING FINGER

I would not like to be in the shoes of Mr J.C. Shah. The piteous suicide of Kishan Chand must surely have given Mr Shah some painful moments of reflection. I had made critical remarks in this column on the inquisitorial nature of some of the proceedings before the Shah Commission. I am not suggesting that Mr Shah is, in any sense, another Judge Jeffries but I must say that there were certainly instances of his failing to make a distinction between the wicked and the weak or between the villains who were merchants of pure evil and the cowards who peddled their conscience at the former's bidding.

Unfortunately, Mr P. N. Lekhi, the government counsel, often made matters worse by his exercises in sadism. When Kishan Chand appeared before the commission he probably hoped to rid himself of a sense of guilt through the catharsis of confession. This mercy was denied to him. As a matter of fact, upstarts in the government media put their own seal of vulgarity on his ordeal by wringing the last drop of public entertainment out of his humiliation. I am not suggesting that Kishan Chand should not have been made to pay for his sins of commission and omission during the emergency. But there was certainly an element of savagery in the hounding of this man.

Ms Nayantara Sahgal, writing in the *Indian Express* of July 8, is crying her heart out over corruption in the nation. Among other things, she has listed instances of our diplomats posted abroad feathering their nests by graft or even petty thieving. She writes: "Did any Nemisis catch up with all these people? Did disgrace, exposure, punishment or a salutary lesson of some kind make them feel thoroughly ashamed of themselves? Not a bit of it. They have been long settled in choice localities in Delhi and entertain charmingly" on their ill-gotten gains.

Ms Sahgal bemoans the fact that nobody seems interested in exposing this and other kinds of irregularities and illegalities which are rotting the soul of our society. But her own attempt at making up for this general failure is clearly half-hearted. She mentions no names while describing what she claims to be true cases of skulduggery in such circles as those of our diplomats or other high-placed bureaucrats and members of parliament. Mr M.O. Mathai, it seems to me, has been far more forthcoming. He has not fought shy of naming Mrs Vijayalakshmi Pandit while making similar allegations. Crusades, like charity, should begin at home.

The Kamani Engineering Corporation Limited, which has been going through a difficult period of recovery and reconstruction, has enlisted the services of Dr R.K. Hazari, formerly the Deputy Governor of the Reserve Bank, and perhaps even better known as the author of a famous report which fuelled the controversy over the larger business houses. The company appointed Dr Hazari as an Adviser to its board of directors in May this year for a period of five years "on a fee of Rs 2,000 per month and a free telephone at his residence, in addition to reimbursement of actual out-of-pocket expenses incurred by him in connection with the business of the company." The relevant resolution of the board of directors also stated that Dr Hazari would be entitled to a sitting fee of Rs 250 for each meeting of the board or a committee of the board attended by him and that his appointment was to take effect from April 5, 1978, or from such other date as might be approved by the central government.

The necessary ordinary and special resolutions will come up before an extraordinary general meeting of the company which is to be held on July 27. The explanatory statement attached to the notice sent to the shareholders of the company says that Dr Hazari had joined the board as a director on February 17, 1978, and that since then he has been devoting considerable time and energy to the affairs of the company and that the board of directors therefore feel that Dr Hazari should be partially compensated for his valuable services to the company. Hence the proposal to appoint him as an Adviser to the board of directors in addition to or along with his membership of the board. I have no doubt in my mind that the company will find Dr Hazari worth his keep. What intrigues me is how, since he himself is a director, he could also be advising himself as an Adviser to the board. The Companies Act, being what it is, often is simply what company managements or the officials of the Company Law department choose to make of it. This should make possible, perhaps, innovations or improvisations not dreamt of in the Hazari report.

Mr Ajit Bhattacharjea, writing in the *Indian Express* of July 15, suggests that the reason for the British decision to shift the capital of India from Calcutta to New Delhi was the obvious one that, Delhi having been the seat of the Moghals, "the British rulers wanted to exploit the tradition of submission and loyalty to the throne of the Moghal and earlier empires, epitomised by the Durbar, adding to it their own colonial concept of paternalistic administration by racial superiors." I for one would not pick up a quarrel with our erstwhile British rulers on this count. Just imagine what Indian politics would have been had India continued to be governed from Calcutta. With Delhi as the seat of the central government, our politics are only punctuated with frequent bouts of confusion. In the other case, political India would have been caught up in perpetual chaos.

VB

TRADE WINDS

Assisting Techno-Entrepreneurs

THE BIRLA Institute of Scientific Research has set up a Small Industries Research and Development Organisation (SIRDO), with a view to assisting young entrepreneurs in setting up independent businesses in the small-scale sector, the emphasis being on the promotion of rural-based industries. The SIRDO has established research and development centres, one each at the Malvia Industrial Area of Jaipur and at Naini, Allahabad. The Jaipur centre is concerned mainly with the electrical and electronics engineering fields. Since its inception in August, 1975 it has developed knowhow and prototypes of many instruments, and devices for commercial exploitation by sponsored techno-entrepreneurs whom it has helped to own their businesses. Some of these industries were set up for the first time in Rajasthan or in the country. The Allahabad unit has been developing knowhow in respect of various products and also setting up a number of small-scale industries. It is recognised as a research organisation by the department of Science and Technology, government of India, and has helped in the establishment of a chemical industry and dry cell unit.

Another SIRDO centre is at Mesra, Ranchi, where it is functioning under the auspices of the Birla Institute of Technology. This institute had set up as early as in 1954 an Industrial Research Department for studying industrial needs and developing appropriate processes and equipment. Its main work has been in the import substitution field. The SIRDO centre at Ranchi is now carrying several steps forward the work of this department through its central facility workshop and test laboratory facilities. The 20 nursery sheds set up by this centre are fully occupied by techno-entrepreneurs sponsored by this organisation. The government of Bihar has recognised the services rendered by this centre by giving it liberal financial assistance. The product knowhow developed by the various SIRDO centres covers a wide range of industries. Many of them are particularly suited for development in the small-scale sector by self employed techno-entrepreneurs.

Semi-Conductor Complex at Mohali

The semi-conductor complex for the manufacture of large scale integrated circuits would be commissioned soon at Mohali, in Punjab at a cost of Rs 16 crores. The complex when commissioned would create employment for over 300 scientists and engineers directly and for about 4000 persons indirectly. A number of ancillary industries are likely to grow and will provide small items for the electronic complex.

The whole project continues to be executed in Punjab as envisaged earlier and approved by the government of India. When in full operation the semi-conductor complex would produce 1.5 million Large-scale Integrated Circuits (LSI), which are the basic building blocks of advanced defence, communication and the computer systems. The first phase investment on the project to be made by the end of 1978-79 would be about Rs 3 crores. The complex would commence production with this investment.

Negotiations are going on with a number of firms in foreign countries for purchase of technology on a selective basis. Some Indian specialists working abroad in LSI technology have also agreed to return home and join the semi-conductor complex.

Meanwhile, a steering committee under the chairmanship of Industries Commissioner, Punjab government, has been formed to provide afforestation, water supply and roads in the 50-acre land already given to the complex.

Gold Sales

A little over 1.52 tonnes of gold, worth about Rs 9.7 crores were awarded recently to 1,100 successful bidders in the sixth gold auction sales conducted by the Reserve Bank of India on July 12. The tenders accepted were for between Rs 641 and Rs 655 per 10 gms, the fourteen rupee price range being the narrowest so far.

Though the lowest bid accepted has stabilised at Rs 641 per 10 gm since the fourth auction held on June 14, the highest fell from Rs 675 per 10 gm in the fourth auction to the level of Rs 655 per 10 gm, the same as in the third auction of May 31. The amount of gold awarded also fell by 98.5 kg from 1,618.9 kg in the last auction held on June 28 to 1,520.4 kg while the value which crossed the Rs 10 crore mark for the first time in the fifth auction—also declined by about Rs 70 lakhs.

Of the 1,192 bids received for the sixth auction—against 1,598 and 1,369 in the fourth and fifth auction respectively—three were declared invalid and one was found to be letter and not a bid. It accepted 1,100 of the 1,188 valid bids.

The list of successful bidders includes 22 joint bids (24 in all but only 22 in the successful list) tendered by goldsmiths/dealers from different parts of the country. The seventh auction will be held on July 26.

Excise Relief to Tyre Industry

The government have announced a new scheme of excise duty relief to the tyre industry. The present scheme of excise duty relief to encourage higher production has been withdrawn in so far as tyres and tubes are concerned.

It may be recalled that on June 16, 1976, government had announced a scheme providing for relief to a number of specified commodities to the extent of 25 per cent of the excise duty payable on such goods, cleared in excess of the clearances in a selected base year. It has been represented that the said duty relief scheme has placed some units in a disadvantageous position vis-a-vis other units. Taking all the relevant factors into account the government have announced a new scheme for tyre industry simultaneously deleting tyres and tubes from the present scheme.

The broad features of the new scheme are: (i) The extent of relief will be 12.5 per cent of the excise duty payable if the goods (tyres and tubes) are produced in a factory which

commenced production before April 1, 1976 and 25 per cent of the excise duty payable if the goods (tyres and tubes) are produced in a factory which commenced production on or after April 1, 1976.

(ii) The scheme will be applicable only to those factories whose licensed capacity or installed capacity, whichever is lower, does not exceed five lakh numbers of tyres and five lakh numbers of tubes.

(iii) The relief under the new scheme shall be restricted to clearances for home consumption of tyres and tubes upto a maximum of 75 per cent of the licensed capacity. In calculating the quantities on which relief will be available, the quantities, if any, on which exemption has been availed of during the current financial year under the present scheme of excise duty relief will also be taken into account.

The new scheme will remain in force up to March 31, 1979. The government hopes that the new scheme will take care of the particular problems of the tyre industry.

FICCI Team for China

A nine member delegation headed by Mr Pravinchandra V. Gandhi, president of the Federation of Indian Chambers of Commerce and Industry (FICCI) will visit China from August 7 to 16. It will have discussions with Chinese trade organisations in Peking and visit factories at Shanghai and Canton.

The delegation will consist of Mr Bansi Dhar, Mr J.H. Doshi, Mr S.N. Khaitan, Mr Shreekant S. Kirloskar, Mr Harish Mahindra, Mr M.N. Modi, Mr B.P. Poddar and FICCI secretary-general, Mr P. Chenstal Rao. A note prepared by the FICCI secretariat stated that the prospects of trade flow between the two countries could safely be rated as reasonably good, if not high starting with the premises that the political irritant between the two countries is removed.

The note added that the interest shown by the Chinese trade delegation in fertilisers, blast furnaces, dredgers, computers, electronics equipment, automatic control equipment and hand tools during their visit, is a pointer to the acceptability of Indian products. It stressed that in trading with China, a long term policy would have to be worked out for "China's economic manoeuvres in international markets are well known. More recently its desire to import iron ore from India is seen by the Sinologists as a move to bargain with Australia, the main supplier of ore to China. This demands a continuous monitoring of China's import plan and its trade diplomacy, which India can hardly ignore, if it does not want to be taken in by surprises."

India is already exporting steel tubes, shellac and pig iron. Some of the important items which India can export are iron and steel products, earthmoving equipment, including heavy duty trucks, on-shore oil drilling equipment, agricultural machinery including tractors, machine tools and construction machinery.

Trade with Bangladesh

The visiting Bangladesh minister for Commerce, Mr Saifur Rehman, called on Mr Mohan Dharia, minister for Commerce, Civil Supplies & Cooperation, recently. They discussed various aspects of bilateral economic relations between India and Bangladesh and the common stand these two countries could take on multilateral issues. The two ministers took note of the protectionist tendencies in the developed countries and its effect on the exports from the developing countries. They agreed that friendly developing countries such as India and Bangladesh should cooperate with each other in maintaining a minimum export price of their commodities. The two ministers also discussed the ways and means of increasing and diversifying Indo-Bangla trade.

Free Trade

Trade relations between India and Bangladesh are governed by a trade agreement concluded on September 28, 1973, initially for a period of three years and since extended for another period of three years ending on September 27, 1979. With effect from January 1, 1975, commerce between the two countries is being carried out on the basis of free trade in convertible currencies.

India's exports to Bangladesh during 1976-77 were worth Rs 54.57 crores. During the first four months (April-July) of 1977-78, exports to Bangladesh were worth Rs 17.04 crores. India's exports to Bangladesh include coal and coke, chemical elements and compounds, dyeing and tanning and colouring materials, pharmaceutical products, textile yarn and thread, cotton manufactures, glass and glassware, iron and steel items, manufactures of metals, aluminium, electrical and non-electrical machinery, transport equipment, clay construction materials and refractory construction materials, printed matter, unmanufactured tobacco, crude vegetable materials and fruits and vegetables.

India's imports from Bangladesh over the last few years mainly include newsprint, raw jute and chemical elements and compounds.

Wool Output

Wool boards are being set up in important wool producing states for organised marketing of wool and sheep and developing proper linkage for woollen industry. Five intensive sheep development projects are being set up in the states under the state sector. 1200 wool sheeps and wool extension centres for improved breeding, disease control etc. working under state sector are being further

Ordnance Equipment Factory, Kanpur

General Manager, invites sealed tenders for the following items upto 1.30 pm on 11.8.78 for items (1) & (2) and 22.8.78 for items (3) for supply of:-

(1) Tender No. PV/86/R.P.: (i) GI/IGA 0802 Rivets Copper Hose Tinned 6 SWG×38 MM Unsealed Drg. No. CIGS/US/8. Qty. 375 kgs., (ii) GI/IGA 0731 Rivets Copper Hose Tinned 6 SWG×10 MM As per Unsealed Drg. No. CIGS/US/8. Qty. 75 kgs. (iii) GI/IGA 0793 Rivets Copper Hose Tinned 6 SWG×32 MM as per Unsealed Drg. No. CIGS/US/8. Qty. 250 kgs. (iv) GI/IGA 0745 Rivets Copper Hose Tinned/12 MM×10 SWG As per Unsealed Drg. No. CIGS/US/8. Qty. 70 kgs.

(2) Tender No. PV/135:Ni—Cr—Mo—Die Steel Blocks of sizes:- 250 mm×200 mm×200 mm Qty. 100 Nos.; 250 mm×250mm×250mm —Qty. 100 Nos.; 250 mm×250 mm ×150 mm—Qty. 100 Nos.; 300mm× 250 mm×250 mm—Qty. 50 Nos.: 150mm×150mm×250mm—Qty. 200 Nos : 375 mm×250 mm×250 mm —Qty. 50 Nos.; 500 mm×250 mm× 250 mm—Qty. 20 Nos. Specn. BS:224 —1938 Steel No.5.

(3) Tender No. PV/252: (i) Al. Alloy Rivet Shape Head 4MM× 12 MM long. Qty. 323 kgs. (ii) Al. Alloy Rivet 90° CSK Head 6 MM× 22 MM long. Qty. 108 kgs. (iii) Aluminium Alloy Rivet Shape Head 4 MM dia.×8 MM long. Qty. 740 kgs. Specn. IS:2907—1964 and IS:740—1966 NR 50 for material for all items.

Cost of each tender form Rs 5/- through I.P.O. only. For details see Indian Trade Journal of 28.6.78.

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expanded and reorgnised. As many as 51 projects for sheep production to assist small and marginal farmers have been set up in 51 districts and nearly 3,000 beneficiaries are taking advantage in each project.

The programme for improvement of sheep breeding has been taken up on a large scale. Besides, the above projects, a number of other steps have also been taken. A centrally administered sheep breeding farm with the assistance of government of Australia has been established in Hissar. There are also centrally sponsored sheep breeding farms in Andhra Pradesh, Bihar, Jammu & Kashmir, Karnataka, Madhya Pradesh, Rajasthan and Uttar Pradesh. Under the state sector nearly 87 sheep breeding farms have also been set up. There is also a programme to establish large sheep breeding farms for the production of genetically superior breeding stock required for improvement of potential of local sheep.

Trends in Lead and Zinc

The current trends in world production and consumption of lead and zinc and the outlook for the next half of 1978 were reviewed at the extraordinary session of the International Lead and Zinc Study Group held at Vienna in the first week of this month. Representatives from 26 member countries, including India, attended the session. The two-member Indian delegation consisted of Mr R.P. Kapur, chairman, Hindustan Zinc Limited (leader), Mr C.P.S. Nair, deputy secretary, department of Mines, government of India.

During the first half of 1978, there had been no material change in the balanced position regarding lead. The supply and demand remained almost equal. The lead mine production was expected to remain at the same level (2.5 million tonnes) during the remaining months of 1978. Metal production was forecast to increase by 100,000 tonnes to about 3.8 million tonnes and the metal consumption was expected to rise slightly to the same figure of 3.8 million tonnes. Prices had remained stable during this year and there was no change in the low level of producers' stocks of the metal.

Modest Improvement

The discussions at the session revealed that there had been a modest improvement in the overall position for zinc since April 1978. The mine production of zinc in 1978 is expected to total 4.9 million tonnes (metal content). Zinc metal production, however, declined during the past months and is not likely to exceed 4.2 million tonnes due to production cuts in many countries. The consumption of zinc is now recovering better than previously anticipated. It is expected to rise by about 3.5 per cent to nearly 4.3 million tonnes during this year. An encouraging feature has been the continued and strong growth in consumption in a number of developing countries. Producers, stocks in the world, although still at high levels, had fallen during the last few months and the decline in prices seems to have been arrested. One factor responsible for a better balance between supply and demand has been the stockpiling of zinc by the Japanese government and the fall in net imports from east European countries, it was revealed.

There was a consensus among the study group members that producers of zinc should continue to exercise caution in their production policies in order to restore healthy conditions in the market as quickly as possible. The hope was expressed that the world production would remain at levels below consumption until the excessive stocks in the markets are substantially reduced.

Small Savings

The Finance minister, Mr H.M. Patel, has appealed to the workers and employees all over the country to invest in small savings a fairly substantial portion of the amount which has become due for payment this month as instalment of the compulsory deposit and interest. The minister, who was inaugurating a meeting of the National Savings Central Advisory Board recently emphasised the need to extend the small savings movement to new and potential areas. He said that so far this movement had been by and large confined to organised sectors and the urban and semi-urban areas. But eighty per cent of our population lives in rural areas and agricultural production and incomes have increased significantly over the years. The new plan gives the highest priority to agriculture and rural development. This will lead to further increase in rural incomes. A sustained effort should, therefore, be made to mobilise the savings in this sector in an increasing manner.

The Finance minister suggested that new strategies should be evolved to overcome difficulties due to the socio-economic attitudes of the people. We should educate the rural folk to wean them away from their traditional preference for unproductive assets and channelise their savings into financial assets for productive investment.

Mr Patel stated that efforts should be made to popularise among the self-employed persons schemes such as the Public Provident Fund which offers attractive returns. He was glad that the Pay Roll Savings Schemes had proved popular among the workers. With a membership of over 63 lakhs, collections under this scheme last year amounted to about Rs 70 crores. Mr Patel wanted this movement to be strengthened further to make every worker and employee a member of this scheme. He added that the proposed public sector Plan outlay was Rs 69,380 crores. For financing such a Plan in a non-inflationary way, a vigours drive has to be launched to promote and mobilise voluntary private savings.

Badarpur Thermal Power Project

The Planning Commission has cleared the Badarpur thermal power project stage III. The estimated cost of this project is Rs 63.69 crores. The scheme for installing the fifth unit (210 MW) under stage III at Badarpur thermal power station had been earlier examined by the Central Electricity Authority (CEA) and recommended by the department of Power. This central sector scheme will be implemented in the five year Plan 1978-83 by the National Thermal Power Corporation Limited.

The scheme comprises the installation of one unit of 210 MW turbo generating set with associated auxiliaries along with installation of boiler and accessories. The supply of plant and equipment will be from indigenous source. The Planning Commission has re-

quested the department of Power to indicate the schedule of commissioning of the unit The additional coal requirement for this unit will be met from Jharia coalfields. The National Thermal Power Corporation has been asked to make necessary arrangements for effective project management and monitoring of the scheme to ensure completion within the time schedule and cost estimates.

Availability of Drugs

The minister for Petroleum, Chemicals and Fertilisers, Mr H. N. Bahuguna, has urged state governments to promptly report any shortage of both bulk drugs and formulations so that the government could take effective remedial action. In a communication addressed to the chief ministers of state and chief executives of the union territories, Mr Bahuguna said that while the base of the indigenous drugs industry was both extensive and diversified and the import policy was liberal, shortages of both bulk drugs and formulations did occur from time to time.

Ready availability of essential drugs and formulations, the minister said, held the key to effective implementation of health programmes which state governments had under way. The government was, therefore, anxious that shortages in this regard were dealt with promptly and systematically. Mr Bahuguna said that drug control organisation in a state was in the best position to report shortages of bulk drugs and formulations. As far as bulk drugs were concerned, state drug control organisations contact with individual formulators would enable them to keep in touch with the supply position and promptly report shortages which could be remedied either by reinforcing supplies from indigenous sources or by imports. As for formulations, shortages would be known, as they occurred, not only to the state drug control organisation but also to the drug purchase organisation of the state medical and health department. The minister has urged state governments to instruct these two organisations to immediately report shortages to the Development Commissioner (Drugs) of the ministry of Petroleum, Chemical and Fertilisers.

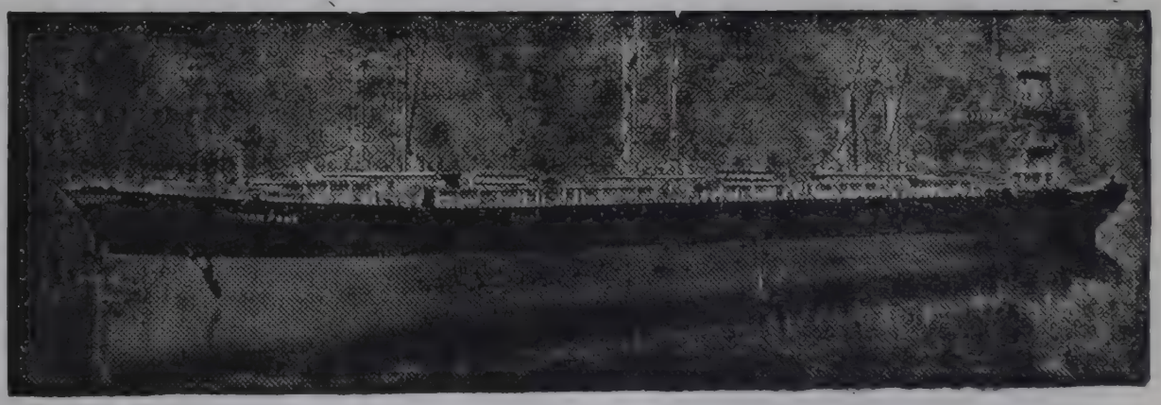
The minister said that Indian drug industry had witnessed considerable expansion during recent years. From a production of about Rs 10 crores 30 years ago a production of Rs 150 crores of bulk drugs and Rs 700 crores of formulations had been achieved during 1976-77. Imports of bulk drugs had also been substantial and had recently been of the order of Rs 50 crores per year.

Ramagundam Super Thermal Power Station

The Planning Commission has cleared the Ramagundam Super Thermal Power Station with associated transmission lines in Andhra Pradesh. The project is estimated to cost Rs 540.18 crores. This central sector scheme will be taken up for implementation in the five-year Plan 1978-83, by the National Thermal Power Corporation Ltd. The setting up of Super Power Thermal Station at Ramagundam in Andhra Pradesh with the construction of 400 KV associated transmission lines was earlier examined in the Central Electricity Authority and recommended by the department of Power.

The scheme comprises of installation of three units of 200 MW each and one unit of 500 MW with associated auxiliaries. Four boilers along with accessories will also be installed. The supply of plant and equipment will be from indigenous sources. The Planning Commission has requested the department of Power to indicate the schedule of commissioning of the station. The project is linked up with south Godavari coalfields. The water supply will be from a branch canal off the main right bank of river Godavari.

The cost of the scheme is estimated at Rs 425.74 crores for power generation project and Rs 114.44 crores for the 400 KV transmission project. The power station would be inter connected to the southern regional grid. The Planning Commission has requested the corporation to furnish the detailed project report indicating the contents of the transmission programme, cost estimates, phasing of outlays



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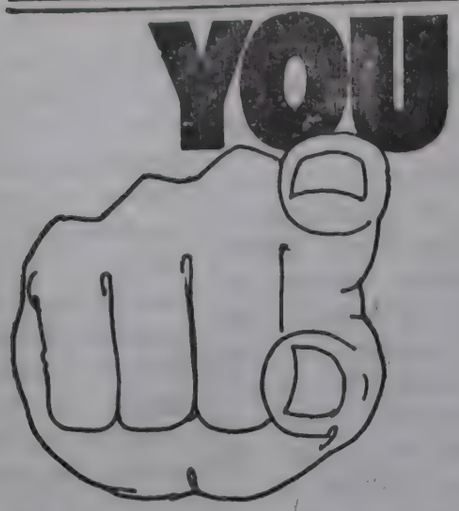

are Our Strength.

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To take the benefits of banking to a larger section of the community, we opened 104 new offices of which 76 were in totally unbanked areas. This helped us to tailor our services to new needs, devise more schemes to suit the needs of different people, particularly the neglected sectors of society.

In 1978, we hope that with your continued support and co-operation we will be able to do more– much more for the betterment of the individual and the Nation.

NUMBER OF BRANCHES

31st December 1976.		31st December 1977
428	Rural	505
454	Semi-urban	466
316	Urban	324
220	Metropolitan	227
1	Foreign	1
1419		1523

STATEMENT OF POSITION

(Rs. in Crores)	LIABILITIES		(Rs. in Crores)
4.75	Paid up capital		4.75
12.86	Reserves		13.84
1467.75	Total deposits		1641.50
149.01	Borrowings		132.47
12.74	Bills payable		12.94
14.07	Other liabilities		19.76
	PROFIT & LOSS A/c.		
1.41	Net profit	1.43	
0.96	Less: Transferred to general reserves	0.98	
.45	Balance to be transferred to Central Government		.45
1661.63	TOTAL		1825.71
	ASSETS		
104.89	Cash in hand & with banks		138.03
2.20	Money at call & short notice		4.09
468.91	Investments		521.27
1027.53	Loans advances & bills purchased and discounted.		1091.65
3.32	Land & buildings		3.64
7.06	Furniture & fixtures		7.50
47.72	Other assets		59.53
1661.63	TOTAL		1825.71

Central Bank of India
(A Government of India Undertaking)
The Bank that moves out to people and places

PNB/CBI/018/78

lays and the physical programme.

Forests in Tribal Economy

The minister for Agriculture and Irrigation, Mr Surjit Singh Barnala has called for the creation of conditions that would enable the tribals to continue to draw upon the forests for benefits that it yields for their existence, rather than change over to an entirely new occupation. In his welcome address delivered at the conference on 'Role of Forests in Tribal Economy' recently, the minister stated that one of the ways that might be considered as a positive link between forest management and tribal economy was to take up programmes of plantations of fruit trees, fodder trees and even fuel trees, with the provision that identified tribal families could continue to enjoy the use of the products. It might be necessary for the Forest departments to assist tribals by evolving suitable mechanism for purchase of such produce at reasonable prices and marketing them. This need not involve any transfer of title over forest lands.

The minister pointed out that in most cases where titles of land had been transferred to the tribals, sooner or later, lands had been alienated through benami transactions and other devious means, due to indebtedness and poverty. Even in cases where this had not happened, the tribals had only been able to practice subsistence agriculture. He sought the cooperation of the ministers in-charge of Forests and Tribal Welfare for charting a course for forest development that would compliment the tribal economy, instead of being at its cost. A major problem, in some parts of the country, was the shifting cultivation practised by the tribals in the forests. It was not a speciality of Indian tribes, but was prevalent in most parts of south Asia

Runway Resurfacing at Delhi Airport

The rupees one crore works at Delhi airport for resurfacing of the 12,500 feet long main runway have been completed. The 200 feet wide runway, with 25 feet shoulders on either side, has been given three layers of asphalt for providing a finished surface, operationally meeting the international standards for smooth and comfortable movement of all types of aircraft using the Delhi airport. The runway was resurfaced at this stage to bring it to its final profile for the centre line lights which will be inset fittings and flushed with the pavement surface. The centre line lights will form part of the Cat. II lighting system, planned to be installed at the main runway for safer aircraft operations.

For completing the construction work, 32,500 cubic metres of asphaltic mixes and 3,500 tons of bitumen were used. Three layers of asphalt have been given for resurfacing the runway. The first layer of 2½ inches was the crack relief layer and the second was a two inch thick semidense layer.

Canal Lining to Save Water

Almost half of the water released in earthen canals is lost through seepage and evaporation. In the main canals, losses are estimated at about 17 per cent, while the seepage in distributaries is about eight per cent, another 20 per cent is lost in water courses.

It has been estimated that if all the canals and distributaries are lined, about 25 to 50 per cent of additional area could be brought under irrigation. In an experiment made on the farm of a prosperous farmer in Ganga canal system it was observed that after lining the warer courses 18 per cent more land could be irrigated.

This experience has been so encouraging that now the entire distribution system in Punjab and Haryana is proposed to be lined by arranging finances through the World Bank. It is estimated that in Haryana alone the lining of water courses would save over 20 lakh acre feet of water.

Lining of water courses is being taken up in the command areas of Rajasthan Canal, Chambal, Tawa, Bhima, Kosi, Gandak projects etc in phased manner.

Names in the News

Dr N.S. Datar has assumed charge as managing director of Rourkela steel plant, a unit of the Steel Authority of India Limited on July 13, 1978. Dr Narayan Sitaram Datar (53) has been the general superintendent of Rourkela steel plant since May 1975 and had recently taken over charge as general manager of the plant from **Dr P.L. Agrawal** consequent on the latter's appointment as chairman of Steel Authority of India Limited.

Mr S.R. Vijayakar has been appointed managing director of the Electronics Corporation of India Ltd (ECIL), a government of India enterprise under the department of Atomic Energy at Hyderabad. Mr Vijayakar, hitherto the corporation's general manager, succeeds **Dr A. S. Rao** who retired in June this year. Mr Vijayakar has been a member of several professional bodies, among them being the Institution of Electrical Engineers, London, the Society of Power Engineers and the Ahmedabad Management Association. Mr Vijayakar is currently a member of the board of directors of Computer Maintenance Corporation belonging to the department of Electronics.

Dr J.D. Sethi, economist, has been appointed as a

Dr J. D. Sethi

member of the Planning Commission. He recently attended the United Nations as a member of the Indian delegation.

Mr Sat Saraf has been elected the chairman of the Public Relations Society of India, Delhi Chapter. **Mr L. T. Karamchandani** has been elected vice-chairman, **Mr N. D. Rajpal** secretary and **Mrs B. S. Bannerjee** treasurer. Besides the four office-bearers, three members of the executive committee are **Mr S. P. Ghosh, Mr V.K. Saxena and Mrs F.C. Batra.**

COMPANY AFFAIRS

Pond's (India)

THE PUBLIC issue of 610,000 equity shares of Rs 10 each at par by Pond's (India) will open on July 26. The new shares will be entitled to a dividend for the year ended June 1978 even though these will be allotted only in September. The directors have indicated an equity dividend of around 12 per cent for 1977-78. With the anticipated growth in the cosmetics and toiletries business, the management hopes that the company should be able to earn adequate profits and be in a position to pay reasonable dividends.

After being treated as an Indian company, it will be able to introduce new products in the line of its present business. With its continued association with Chesebrough Pond's Inc, USA, it will have the facility to undertake at a later stage other lines of business in which the American company is engaged. It has the facility of interest free loans of Rs 82 lakhs from Chesebrough Pond's which will enable it to reduce its dependence on bank borrowings.

The company has taken over the business of the Indian branch of Chesebrough Pond's Inc., USA from July 1977 for a total consideration of Rs 123.89 lakhs. For this, it will issue to the American company equity shares worth Rs 42 lakhs, while the balance will be in the form of an interest free loan of Rs 63 lakhs payable after five years and another interest free loan of Rs 18.89 lakhs payable over a period of 15 years. The company has its own manufacturing facilities at Chromepet, Madras. After the proposed issue the non-resident shareholding will be 40 per cent.

According to Mr V. Narayanan, managing director, sales, during the first half of 1977-78 (June-December 1977) totalled Rs 6.47 crores, which yielded a pre-tax profit of Rs 45.03 lakhs and after tax profit of Rs 12.82 lakhs. The trend in the second part of the year (January-June 1978) is not any worse than in the first half. He said that the company has not so far discussed any specific plans for diversification with the government. In the next three to five years, it hopes to accelerate the growth by adding new products and develop new markets. Exports which totalled Rs 16 lakhs in 1977 are expected to rise to over Rs 30 lakhs in 1978.

Mahindra Spicer

The new plant of Mahindra Spicer at Nasik for the manufacture of propeller shafts, axle shafts and universal joint kits is nearing completion. Commercial production is expected to commence in October. The capital cost of Rs 260.65 lakhs of this project is being met by additional share capital of Rs 84.80 lakhs, loans from financial institutions and banks of Rs 165 lakhs and internal generation of Rs 10.85 lakhs. The company has already received letters of intent for the new products from the various indigenous vehicle manufacturers and efforts are being made to secure a share of the export market through the company's collaborators, Dana Corporation, USA.

During the year ended January, 1978, sales totalled Rs 5.76 crores against Rs 5.60 crores in the previous year. The gross profit was Rs 46.02 lakhs (Rs 42.45 lakhs) and the net profit Rs 11.93 lakhs (Rs 10.56 lakhs). An equity dividend of 10 per cent with a pro-rata dividend on the new shares issued in August 1977, will absorb Rs 5.90 lakhs (Rs 4.02 lakhs).

The company maintained its position as the leading supplier of ash handling plants for thermal power stations. Production and sales of Sharples range of separation equipment were higher than in the previous year. Sales of automotive clutch assemblies were 15 per cent higher than in the preceding year.

Investment and Precision Castings

Investment and Precision Castings which commenced production in June 1977 has achieved a turnover of Rs 1.77 lakhs for the year ended March 1978. The working has resulted in a loss of Rs 7.62 lakhs. In view of the high precision technology involved in the manufacture of the castings the company had to encounter teething troubles in the initial stages of production. Production, therefore, picked up only in the last quarter of the year. Unexpected orders worth Rs 13 lakhs were received in the first quarter of the current year. Sales in the first three months of the current year amounted to Rs 3.58 lakhs. With comfortable order book position, the management hoped to achieve better utilisation of the plant capacity resulting in larger production and improved performance.

Orient Paper

Orient Paper Mills has maintained its equity dividend at 17.5 per cent for the year ended March 1978. The gross profit has amounted to Rs 9.25 crores against Rs 9.50 crores in the previous year. After providing Rs 3.08 crores (Rs 2.28 crores) for depreciation, Rs 3.55 crores (Rs 4.60 crores) for taxation, Rs 10 lakhs (Rs 6 lakhs) for investment allowance reserve and making other adjustments, the net profit amounts to Rs 2.94 lakhs (Rs 4.38 lakhs). The turnover was Rs 53.33 crores (Rs 53.27 crores).

Indian Dyestuff

Indian Dyestuff Industries has reported improved results for the year ended March, 1978. Equity dividend has been maintained at 16 per cent including a pro-rata dividend on the rights shares issued during the year, and is covered over twice by the year's earnings. According to the preliminary statement net sales (after excise duty of Rs 7.67 crores against Rs 6.77 crores in the previous year) have risen from Rs 34.50 crores in 1976-77 to Rs 37.39 crores in 1977-78. The gross profit increased from Rs 532.57 lakhs to Rs 558.18 lakhs. After providing Rs 95.06 lakhs (Rs 85.31 lakhs) for depreciation, Rs 28 lakhs (Rs 1.70 lakhs) for investment allowance and Rs 245 lakhs (Rs 274.50 lakhs) for taxation, the net profit works out at Rs 190.12 lakhs (Rs 171.06 lakhs). After adjust-

ments, the disposable surplus is Rs 197.35 lakhs (Rs 197.03 lakhs). Equity dividends will abosrb Rs 82.01 lakhs (Rs 72 lakhs) and preference dividends Rs 2.22 lakhs (same). A sum of Rs 110 lakhs (Rs 120 lakhs) has been transferred to general reserve.

Fibreglass Pilkington

Fibrelglass Pilkington has reported an all round improvement in its working results for the year ended March 1978. Equity dividend has been raised from 18 per cent to 20 per cent. According to the preliminary statement, sales increased from Rs 8.56 crores in 1976-77 to Rs 9.07 crores in 1977-78. Domestic sales increased from Rs 8.16 crores to Rs 8.34 crores and export sales from Rs 40.43 lakhs to Rs 72.28 lakhs. The gross profit increased by 8.3 per cent from Rs 2.38 crores to Rs 2.58 crores. After providing for depreciation and writing of technical know how of Rs 37.61 lakhs (Rs 34.30 lakhs) for investment allowance reserve Rs 4.56 lakhs (nil) and for taxation Rs 139.77 lakhs (Rs 133.37 lakhs), the net profit works out higher at Rs 76.49 lakhs (Rs 70.33 lakhs). After some adjustement, the disposable surplus amounts to Rs 76.24 lakhs (Rs 67.38 lakhs) The dividends, together with the pro rata dividend on the 90,000 shares allotted to the ICICI during the year, will absorb Rs 33.32 lakhs (Rs 28.80 lakhs). A sum of Rs 42.91 lakhs (Rs 38.58 lakhs) have been transferred to general reserve.

Chemicals & Fibres

Chemicals and Fibres of India has suffered a setback in its working during the first half of the current year (October 1977 to March 1978). In view of the results for the first half and the present uncertainty with regard to the balance of the year, no interim dividend has been declared for the year ending September 1978. Gross sales during the period amounted to Rs 17.94 crores against Rs 20.49 crores in the same period of 1976-77. Net sales amounted to Rs 8.40 crores (Rs 10.55 crores). The pre-tax profit is estimated at Rs 64 lakhs against Rs 1.79 crores. After providing Rs 52 lakhs (Rs 54 lakhs) for depreciation, the taxation provision is placed at Rs 41 lakhs against Rs 1.16 crores. Thus the net profit will be Rs 23 lakhs.

There have been large scale imports during the period, which led to drastic reduction in the prices of domestic fibres. Total sales of grade one fibre during the period were 2,589 tonnes against 2,473 tonnes, but the average price realisation was much lower. The five per cent rise in the excise duty on polyester fibre and blended yarn further dampened the growth in demand for polyester.

Reliance Chemotex

Reliance Chemotex Industries promoted by professional entrepreneurs, Mr S.L. Shroff and Mr S.K. Kejriwal, is setting up a spinning unit with 12,500 spindles for manufacturing spun yarn with various blends like polyester cotton, viscose and polyester-viscose as also its own fibre dyeing unit at Udaipur, which is a notified backward district. Trial production is expected to commence by March 1979 and commercial production soon thereafter. No industrial lincence is necessary for the undertaking. As required under the delicensing scheme, the company has obtained the necessary permission from the Textile Commissioner for setting up a spinning unit with 25,000 spindles. It has also obtained from the ministry of Commerce the clarification on the permission to manufacture 100 per cent man-made fibre spun yarn.

The project cost is estimated at Rs 3.84 crores, which will be met by share capital (Rs 1.25 crores), term loans (Rs 2.44 cores) and central cash subsidy (Rs 15 lakhs). Out of the share capital the promoters will contribute Rs 43.25 lakhs and the Rajasthan Industrial and Mineral Development Corporation will take up shares worth Rs 18.75 lakhs. The company proposes to enter the capital market shortly with a public issue of 630,000 equity shares of Rs 10 at par.

Ganesh Flour Mills

A programme of repayment to pre-takeover creditors of Ganesh Flour Mills, a government managed company, was launched recently by Mr K.K. Goyal, minister of state for Commerce, Civil Supplies & Cooperation. Mr Goyal announced that the company had set apart Rs 50 lakhs for repayment to past creditors. Out of 2100 pre-takeover creditors, about 1900, constituting 90 per cent of the creditors, would get their payment this year. All this had been achieved after paying over Rs one crore in income tax this year and wiping out all accumulated losses.

Narrating the course of events which led to the government take over of Ganesh Flour Mills Co Ltd, the minister said that the company was established in 1891 with flour milling activity diversified into vanaspati, cereal breakfast foods, solvent extraction, food canning and electric fans between 1928 and 1965. As the company grew in size it got into difficulties particularly after its diversifications, he added.

He pointed out that ever since the take over, the profits of the company have been rising steadily and it stood at Rs 260.49 lakhs in 1977-78 as against Rs 103.96 lakhs in 1976-77 and Rs 58.19 lakhs in 1975-76. The company secured profits worth Rs 26.05 lakhs in 1974-75 and Rs 19.40 lakhs in 1973-74.

The minister said that the most important feature of the take over of the company was that it started giving profit in the very first year of its existence under the new

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davp 78/143

management. The company was given the usual protection of moratorium on past liabilities for a period of five years. This is a unique case of sick unit taken over by the government where the moratorium did not have to be extended beyond the first five years.

Belapur Sugar

The total sales of Belapur Sugar and Allied Industries has come down from Rs 6.02 crores in 1975-76 to Rs 4.02 crores in 1976-77. The working has resulted in a loss of Rs 41.33 lakhs against a gross profit of Rs 19.99 lakhs in the previous year. After providing Rs 6.22 lakhs (Rs 7.85 lakhs) for depreciation and some other adjustments, there is a deficit of Rs 49.23 lakhs, which has been adjusted against general reserve No. 2. No dividend has been declared against Rs 3 per share for 1975-76.

In the current year, the position of crushing in the 1977-78 season is once again far below what could be expected in a normal year. However, the company has created new records in regard to both the total cane crushed and the total sugar produced, the previous highest figures of 2.71 lakh tonnes and 3.07 lakh bags respectively, for 1970-71 having already been exceeded this year by May 12, 1978.

Bareja Knipping Fasteners

Bareja Knipping Fasteners is setting up an export-oriented fasteners project in Gurgaon district of Haryana. The new unit will manufacture self-tapping machine screws with an installed capacity of 600 tonnes a year. The West German firm, Arnold Knipping, which is collaborating in the venture has agreed to provide technical know-how, take up 35 per cent of the equity share capital and buy a minimum of 60 per cent of the production for at least five years. The project outlay estimated at Rs 59 lakhs will be financed by share capital of Rs 25 lakhs, term loans from the Haryana Financial Corporation (Rs 28.44 lakhs) and unsecured loan from directors & associates (Rs 5.56 lakhs). Of the equity capital, the Indian promoters have taken up shares worth Rs 2.47 lakhs and foreign collaborators Rs 7 lakhs. A public issue of Rs 6 lakhs in equity shares of Rs 10 each and 11 per cent 5,000 redeemable cumulative preference shares of Rs 100 each is to be made shortly.

The company will import

DENA BANK

(A Nationalised Bank)

Head Office: Horniman Circle, Bombay-400023

STATEMENT OF POSITION

31st December 1976 Rs.	LIABILITIES		31st December 1977 Rs.
1,25,00,000	Capital: Paid-Up		1,25,00,000
2,75,00,000	Reserve Fund		2,93,00,000
421,26,40,131	Deposit & Other Accounts		512,34,71,714
32,85,54,200	Borrowings from Banks and Correspondents		50,45,48,751
4,04,56,897	Bills Payable		6,93,68,300
23,61,34,369	Bills for Collection		26,38,97,268
7,90,85,759	Other Liabilities		7,97,86,968
18,26,08,434	Acceptances for Customers		21,14,22,040
	PROFIT AND LOSS ACCOUNT		
67,60,692	Profit for the year	68,64,609	
17,00,000	Less: Transferred to Reserve Fund	18,00,000	
45,00,000	Transferred to Contingency	45,00,000	
5,60,692	Balance transferred to Central Government		5,64,609
512,00,40,482			629,48,59,650
	ASSETS		
22,21,11,655	Cash in hand and with Banks		53,38,72,818
5,00,000	Money at Call & Short Notice		70,30,000
120,33,87,731	Investment in Government & Other Securities		158,31,16,824
317,49,15,399	Advances		357,66,02,626
23,61,34,369	Bills for Collection		26,38,97,268
18,26,08,434	Acceptances for Customers		21,14 22,040
89,92,963	Premises		1,02,45,045
2,26,24,504	Furniture & Fixtures		2,52,85,328
6,87,65,427	Other Assets		8,33,87,701
NIL	Non-Banking Assets		NIL
512,00,40,482			629,48,59,650

RB/DB/E/306

highly sophisticated automatic machines for the production of special types of screws. Production is scheduled to commence by December end.

Avery India

Avery India has suffered a setback in its working results for 1977 and the equity dividend has been reduced from 30 per cent to 25 per cent. Sales are down by 2.5 per cent from Rs 11.16 crores in 1976 to Rs 10.90 crores in 1977 and the gross profit by 9.6 per cent from Rs 3.40 crores to Rs 3.08 crores. After providing Rs 27.29 lakhs (Rs 28.65 lakhs) for depreciation, Rs 30,000 (Rs 22,000), for investment allowance reserve and Rs 199 lakhs (Rs 220.50 lakhs) for taxation, there is a disposale surplus of Rs 84.02 lakhs against Rs 94.68 lakhs. The proposed devidend will absorb Rs 56.33 lakhs (Rs 67.60 lakhs) and the balance of Rs 27.68 lakhs (Rs 27.19 lakhs) has been transferred to general reserve. The directors state that the orders for heavier weighing machines were greatly affected by the credit sqeeze and production at the Calcutta works was constantly disrupted by power shortage.

Capital and Bonus Issues

Consent has been granted to 15 companies to raise capital of Rs 8 4.8 million. The following are the details:

M/s. Asian Paints (India): Rs 100 lakhs in the ratio of two bonus shares of Rs 100 each for every three fully paid equity shares of Rs 100.

M/s. Joonktollee Tea and Industries: Rs 10 lakhs in the ratio of one bonus share of Rs 10 each for every two equity shares of Rs 10.

M/s. Rydak Tea Syndicate: Rs 22,45,680 in the ratio of three bonus shares of Rs 10 each for every ten equity shares of Rs 10.

M/s. Gillanders Arbuthnot and Co.: Rs 42,28,040 in the ratio of one bonus share of Rs 10 each for every two equity shares of Rs 10.

M/s. Ahmedabad New Cotton Mills: Rs 20 lakhs in the ratio of one bonus share of Rs 100 each for every two equity shares of Rs 100.

M/s. The Gokul Rubber and Tea Plantations: Rs 2,25,000 in the ratio of one bonus share of Rs 2 each for every three equity shares of Rs 2.

M/s. Mysoplastica Private Ltd: Rs 1,00,020 in the ratio of one bonus share of Rs 10 each for each equity share of Rs 10.

M/s. Hestings Mill Ltd: Rs 40 lakhs in the equity share of Rs 100 each as rights at par to the existing equity shareholders in the ratio of 1:2.

Fenner (India) Ltd has been allowed to issue bonus shares of the value of Rs 115.65 lakhs in the ratio of one bonus share of Rs 100 each for each equity share of Rs 100.

Chemosyn Private Ltd has been allowed to issue bonus shares of the value of Rs 10.40 lakhs in the ratio of four bonus shares of Rs 100 each for every five equity shares of Rs 300.

Sandoz (India) Ltd has been permitted to issue bonus shares of the value of Rs 62.50 lakhs in the ratio of one bonus share of Rs 10 for every three equity shares of Rs 10.

Warren Tea Limited has been allowed to issue a further capital to the tune of Rs 325 lakhs in equity shares out of which equity worth Rs 240.50 lakhs are to be issued to non-resident shareholders of the eleven sterling tea companies merging with the Indian company and the balance equity shares worth Rs 84.50 lakhs to Indian nationals for cash at par. The object of the issue is to comply with FERA directives issued to the company by the Reserve Bank of India.

Mcleod Russel (India) Limited has been allowed to issue further capital to the tune of Rs 52 lakhs in equity shares of Rs 10 each for cash at par to the Indian residents through a prospectus. The funds are required to complete Indianisation scheme of seven sterling tea company's belonging to Mcleod Russel group.

Khanna Watches Limited is to issue further capital to the tune of Rs 32,50,000 (inclusive of the capital already raised) in equity shares of Rs 10 each for cash at par out of which Rs 19.50 lakhs will be offered to the public by a prospectus. The funds are required to meet a part of finance for setting up a plant for the manufacture of watch cases for wrist watches.

Davy Ashmore India Ltd has been allowed to issue Rs 12.50 lakhs in equity shares, out of which Rs 5 lakhs will be credited as fully paid up shares to Head Wriston India Ltd, UK in satisfaction of taking over their Indian business and Rs 7.50 lakhs for cash at par to the employees, Indian directors and certain public financial institutions.

Readers' Roundtable

Unclaimed bank deposits

Sir: Unclaimed deposits running into several crores of rupees are lying with the banks. These deposits, belonging to thousands of small depositors, could not be claimed by their relatives for want of adequate procedure. Since the banks also may not know the legal and genuine claimants of some of these deposits, a way out should be found so that the genuine relatives of the depositors could get their money back. No worthwhile efforts have been made by banks to return these deposits.

In this connection, the efforts made by the postal department which is also having a huge amount of about Rs 30 crores as unclaimed deposits, are praiseworthy. Every now and then the postal department announces to the public about the deposits and call upon the geniune claimants to approach the postal authorities for claiming the deposits. Though the postal department's efforts have not met with much success, it continues and steps up its efforts to search the real and genuine claimants.

Banks, which have been talking about improving customer services, will have rendered a signal service to the public if they also periodically make announcements about unclaimed deposits. Besides simple procedures should be devised so that legal successors of the deceased depositors could get their claims.

Bombay — S.M. Sundaram
Hon. Secretary
All-India Bank Depositors' Association
(Bombay Branch)

SOARING HIGH to new horizons of progress

On the strength of performance in 1977

The figures alongside speak for themselves. We are happy to have helped in increased measure the small man grow big-that small man for whom "Work is Worship".

We pledge ourselves anew to our chosen task, offering as before, service with a personal touch.

STATEMENT OF POSITION

31st DECEMBER, 1976 Rs.	LIABILITES		31st DECEMBER, 1977 Rs.
1,48,69,275	Capital paid-up		1,48,69,275
1,30,00,000	Reserve Fund		1,48,95,000
354,42,19,597	Deposits		459,13,39,995
52,14,98,213	Due to Banks and Correspondents		52,61,86,300
3,26,48,668	Bills Payable		5,34,39,290
26,00,13,279	Bills for collection		30,57,93,239
4,92,16,591	Branch adjustment etc.		3,25,73,080
18,46,77,345	Acceptance for Customers		25,52,13,990
	PROFIT AND LOSS ACCOUNT		
	Profit for the year	22,94,988	
22,91,523	Less-Bonus for 1976 paid in excess of provision made in that year		
	Transfer to Reserve Funds	18,95,000	
18,94,000	Balance to be transferred to Central Government		3,99,988
3,97,523			
462,05,40,491	TOTAL		579,47,10,157
	ASSETS		
	Cash in hand and with Banks		46,31,71,659
27,60,05,960	Investment in Govt. & other Securities,		137,86,45,436
	Shares, Debentures etc.		325,55,92,804
110,41,71,944	Loans, Advances and bills Discounted and Purchased		30,57,93,239
268,16,99,211	Bills Receivable		25,52,13,990
26,00,13,280	Constituents, Liabilities for Acceptances		1,80,82,366
18,46,77,344	Premises		2,23,92,986
1,58,11,947	Furniture and Fixtures		9,58,17,677
1,92,44,038	Other Assets etc.		
7,89,16,767			
462,05,40,491	TOTAL		579,47,10,157
	NUMBER OF BRANCHES		
139	Rural		181
149	Semi-Urban		151
115	Urban		122
82	Metropolitan		83
485	TOTAL		537

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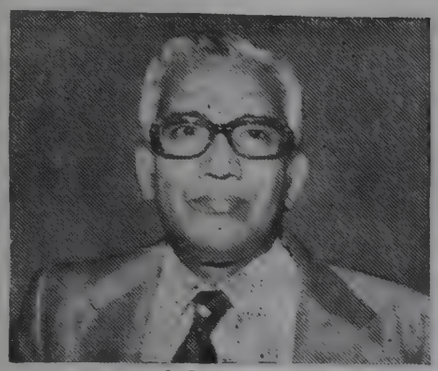
Shaw Wallace Group Improved Performance in 1977



S. P. Acharya

Highlights from review of the Company's working by MR. S. P. ACHARYA Chairman And some salient financial data

"The fortunes of the Shaw Wallace Group registered an overall improvement in 1977"

The pre-tax profit of the parent Company rose from Rs. 16 million in 1976 to Rs. 19 million in 1977. The Group profit, however, showed a much healthier rise from Rs. 40 million to Rs. 60 million. Group figures present a more complete picture than those pertaining to the parent Company alone, because of the predominant holding in most of the subsidiaries.

AGRICULTURAL INPUTS

The quantitative turnover of our agriculture inputs division was higher than in the previous year. Overall profitability of this major Division, however, remains adverse, despite an improvement over 1976, because of losses in some zones. Margins remained under pressure although they were somewhat better than in the preceding year. The Company maintains a very fine and widespread marketing organisation. The continuing escalation of costs is a growing threat to the fortunes of this activity. We are engaged in diversifying our product range to face this challenge by increasing sales of agro-chemicals and hybrid seeds.

SHIPPING

This Division had another good year despite limited chartering income due to reduced imports of foodgrains and fertilisers by the Government. The Division rendered excellent services to the Asamera group which was prospecting for oil and gas off the South-Eastern shore of India.

LIQUOR

The reputation for quality of its products continue to be very high and our rigorous quality control and Research and Development efforts have assisted in this. The fortunes of the Division are necessarily affected by national and state policies and it remains to be seen how adverse will be the effect of the Central Government's policy of phased prohibition on sales, profitability and employment.

OTHER DIVISIONS

The **Computer Services Division** has commissioned its second ICL 1901-A computer which is a third generation machine. This has already rendered very satisfactory services to a range of discriminating users. The Division has also obtained an order from Malaysia for the installation of computer based systems in a major plantation group.

The **Export Division** landed a very substantial order for ossein from U.S.A., to be manufactured by Shaw Leiner Ltd.

Deliveries have been very satisfactory and we expect that this contract will develop an enduring link with a world famous business organisation.

The Year at a Glance

(Rs. in Lakhs)

Group	1977	1976	Increase
Revenue	10229	8811	16%
Profit before Taxation	596	403	48%
Parent Company			
Sales and other Income	9487	8437	12%
Profit before Taxation	193	159	21%
Profit after Taxation	79	65	22%
Earning per Ordinary Share	Rs. 1.89	1.54	23%
Dividend per Ordinary Share	Rs. 1.25	1.00	25%

Subsidiaries

The profitability of Cruickshank & Co. Ltd., was very good.

Maharashtra Distilleries Ltd., had another satisfactory year and now has a fine production facility. New high quality products are on the way.

The Hooghly Flour Mills Co. Ltd., registered a very impressive rise in turnover and profits consequent on the free availability of wheat although largely of poor quality. Capacity utilisation rose from 50 to 87%.

Sales of the Indian Yeast Co. Ltd., increased to 3,324 tonnes. The excellence of the quality and manufacturing process as well as intensive marketing to small and large bakers alike uplifted profitability to Rs. 7 million. The Research and Development Laboratory is now nearing completion and the Company is engaged in a further programme of expansion.

Tezpore Tea Company Ltd., enjoyed a

record year like other Tea Companies, with an increase in crop from 2069 tonnes to 2255 tonnes, while the pre-tax profit increased by 79% to Rs. 15 million. With its satisfactory working results and funds position, Shaw Wallace & Hedges Ltd., in Sri Lanka is now considering diversification proposals and has already taken up an 80% interest at a cost of Rs. (C) 4 lakhs in a garment manufacturing unit.

Associate Companies

SKOL Breweries Ltd., had a very satisfactory year, with a rise in profit from Rs 1.9 million to Rs 2.4 million. The excellent reputation for its brews continued to grow unabated. Prospects, however, are contingent on the impact of the prohibition policy.

Shaw Leiner Ltd., reported a substantial improvement in its working, earning and profit of Rs 1.3 million. The quality of the various products is very satisfactory and current operations are better than in 1977.

New Developments

A tremendous volume of work and enthusiasm has continued to be devoted to the giant Nagarjuna Fertilisers and Chemicals Ltd., which was promoted by us. This plant will be set up in the port town of Kakinada in Andhra Pradesh. The Government of Andhra Pradesh is participating to a very substantial extent in the equity and is giving all possible support. Shareholders of Shaw Wallace & Co. Ltd., have already approved a subscription of Rs 2 crores to the equity of Nagarjuna.

A great deal of work has gone into the compilation of the detailed project reports for the Agro-Chemical Plant at Haldia. We hold a letter of intent for the manufacture of Dimethoate, Ethion and Fenitrothion. The technology to be used is that developed by the National Chemical Laboratory, Pune. We expect construction work to commence after the monsoon.

Approvals have been received for purchase of ships upto an aggregate tonnage of 70,000 DWT. The pros and cons and the timing of entry into ship-owning are carefully being evaluated.

Prospects

Prospects for the various divisions and subsidiaries in 1978 are satisfactory.

Research and Development

The group now has three R & D centres—one for adhesives, another for potable spirits and the third for yeast. It will be continued endeavour to devote ourselves to the improvement of quality, reduction of cost and technological innovations.

Rural Development

The Company adopted six villages in the backward Khamman District of Andhra Pradesh and its developmental efforts have resulted in significant improvement in the prosperity and life of these villages.

General

Sir Anthony William Byrd Hayward retired from India at the end of March after a long and illustrious career, both in Shaw Wallace and on the national business scene, culminating in the presidentship of the Associated Chambers of Commerce & Industry of India.

Having recently assumed the office of Chairman and Chief Executive I look forward to the continued co-operation of all our employees and our shareholders, so that we may together promote and sustain a growth in diverse directions by this professionally managed company, which rests on four solid pillars, namely, integrity, competence, dynamism and innovation.

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Industrial growth in 1978-79

During the last two months, the ministry of Industry has held extensive consultations with other Economic ministries on an action programme for accelerating the growth of industrial production to seven to eight per cent in 1978-79. A growth rate of this magnitude would constitute a doubling of the growth rate achieved last year (i.e. 3.5 per cent.)

AS A PART of this exercise, detailed analysis of demand, capacity and output levels has been carried out for more than 150 industries, which together account for 90 per cent of the weight in the index of industrial production. These exercises show that a rate of growth of seven to eight per cent in 1978-79 is feasible, and is consistent with the prevailing demand situation. (Tables I and II show group-wise growth rates for 1977-78 and 1978-79, and targets for selected industries).

New Strategy

The strategy to raise the rate of growth of industrial production consists of the following main elements:

(i) Achievement of targets already set in respect of crucial industries such as power, coal steel, fertilizers and non-ferrous metals;

(ii) Setting higher targets of output (than visualised at the beginning of the year) in respect of certain major industries where demand conditions justify such higher output. Among these are paper, cement, commercial vehicles, wagons and textiles produced by NTC mills;

(iii) Advance planning of imports and buffer stocking of crucial inputs in order to ensure that production in industry is not disrupted due to fall in production of one or two units (as happened last year in the case of explosives for coal mining).

(iv) Constant monitoring and coordination with a view to ensuring that targets of production are achieved.

Action Programme

An action programme has been drawn up for each of the above areas. Main highlights of this programme are as follows:

(a) *Power*: In addition to drawing up a programme for commissioning of additional capacity of 3,800 MW during the year, the ministry of Energy has been closely monitoring power-generation from month to month. There has already been substantial improvement in power generation in the last three months. Thus power generation increased by 14 per cent in April 1978, by 18 per cent in May 1978 and by another 14 per cent in June 1978 (over corresponding months of the previous year). The overall rate of growth for the first quarter has been 15.3 per cent. Power situation is now satisfactory in a number of states like Punjab, Haryana, Gujarat, Tamil Nadu, Himachal Pradesh, Kerala, Orissa and Bihar. In some of the other states like West Bengal, Karnataka, Uttar Pradesh and Rajasthan, where power cuts of varying degrees are continuing, the intensity and duration of these cuts is showing improvement.

(b) *Coal*: A target of 113 million tonnes of coal has been fixed for 1977-78. In the first quarter of this year, production has not been up to expectations because of several problems, e.g. strike at Singareni collieries, power problems in Bengal-Bihar coalfields and lack of adequate supply of explosives due to strike in Indian Explosives Limited (IEL). These problems are new being resolved.

Increasing Output

In order to meet the requirements of explosives, arrangements are being made to increase the output of IEL factory. A new unit of Indo-Burma Petroleum has also gone on stream and we expect to have a supply of 500 tonnes a month of explosives from this factory. In addition, sizeable imports of explosives have been cleared. In order to augment supply of fuels to cement plants, a decision has been taken to permit additional imports of furnace oil of Rs 20 crores.

(c) *Railway Movement*: A number of meetings have been held by the ministry of Railways with concerned ministries to sort out problems relating to railway movement for major commodities. It has also been decided to increase the allocation of wagons to the Railways. Another measure is to make greater use of road transport for moving coal and cement, etc, over short distances. For this purpose, as already announced, cost of road transport charges for cement would be reimbursed. Similarly, power stations have also been advised to move coal by road wherever they are located near the coalfields.

Improving Availability

Because of difficult power supply situation and lack of adequate coking coal, production of steel in the first quarter of 1978 has suffered. The ministry of Steel has already made a thorough plant-wise review of causes of fall in production and it is expected that the original target of production of 7.6 million tonnes of saleable steel will be achieved in 1978-79. At the same time, in order to meet any temporary shortages, export targets have been scaled down and arrangements have been made for higher imports. The ministry of Steel is also taking steps to build up a buffer stock of critical steel items.

DGTD has been entrusted with the responsibility of undertaking continuous monitoring of supply situation in respect of critical items required for industrial production and has been authorised to permit imports wherever necessary. DGTD has also

TABLE I

Rates of Growth for 1977-78 and Projected Rates of Growth for 1978-79 in Selected Industry Groups

Industry group	Weight in the index	Groth rates during 1977-78* (Provisional)	Groth rates during 1978-79** (Projected)
I Mining and Quarrying	**9.69**	**2.5**	**11.1**
II Manufacturing	**81.08**	**3.7**	**6.4**
Food manufacturing industries except beverage industries	7.74	8.8	3 2
Beverage industries	0.69	14.8	—10.1
Tobacco manufacture	2.21	1.0	2.8
Manufacture of textiles	17.43	2.4	2.4
Manufacture of footwear, other wearing apparel and made up textile goods	0.34	—20.5	4.1
Manufacture of wood and cork except manufacture of furniture	0.49	6.8	7.4
Manufacture of paper and paper products	2.24	5.0	6.7
Manufacture of leather and fur products, except footwear and other wearing apparel	0.32	—12.2	2.6
Manufacture of rubber products	2.22	2.8	5.3
Manufacture of chemicals and chemical products	10.90	6.4	9.1
Manufacture of products of petroleum and coal	1.62	8.3	6.1
Manufacture of non-metallic mineral products, except products of petroleum and coal	3.33	4.2	8.1
Basic metal industries	8.84	—3.1	8.5
Manufacture of metal products except machinery and transport equipment	2.77	2.4	4.7
Manufacture of machinery except electrical machinery	5.55	7.8	8.8
Manufacture of electrical machinery, apparatus, appliances and supplies	5.30	5.7	10.0
Manufacture of transport equipment	7.39	—2.4	14.3
Miscellaneous manufacturing industries	1.70	17.6	Not estimated
III Electricity	**9.23**	**3.4**	**14.5**
All Industries	100.00	3.5	7.0—8.0

*Based on provisional figures released by CSO.

**Projected rates of growth have been worked out by the Office of the Economic Adviser after taking into account targets fixed for major industries.

been authorised to issue supplementary licences for items that are "banned" under the current import policy in cases where shortages are likely to arise.

(a) *Cement*: Last year, output of cement was 19.3 million tonnes, representing a capacity utilisation of about 89 per cent. For 1978-79, the output target is 21 million tonnes, which would represent 100 per cent utilisation of existing capacity during the remaining part of the year. For this purpose, a number of measures have already been announced, including incentive for higher production, full reimbursement of transport charges by road and acquisition of further warehousing facilities.

(b) *Paper*: Production of paper and paper board was around 9.7 lakh tonnes in 1977-78. For 1978-79, it has been decided to raise the target of paper and paper board to at least 10.3 lakh tonnes (as against 9.8 lakh tonnes expected earlier). Since the possibility of increasing output in large paper mills is limited, the strategy is to concentrate on small paper mills, where capacity utilisation is only about 50-55 per cent. For this purpose, a team of technical experts is visiting small paper units and would advise on measures necessary for increasing output. A decision has also been taken to import paper-grade pulp for supply to mills which are facing shortages.

(c) *Commercial Vehicles*: As against production of 41,000 vehicles in 1977-78, the target for 1978-79 has been fixed at 60,000. Already, in April and May, 1978 production of commercial vehicles has increased by 26 per cent over the corresponding period of last year. Sufficient demand is likely to be there and meetings with major producers have been held in order to identify requirements of inputs for achieving this level of production.

(d) *NTC Textiles*: As against production of about 850,000

TABLE II

Output of Selected Industries in 1977-78 and 1978-79 Targets

Industry	Unit	1977-78	1978-79 (Target)
Coal	Mill. Tonnes	101.0	113.0
Petroleum crude	Mill. Tonnes	10.6	12.8
Cloth (NTC)	Mill. Metres	857	1000
Paper and paper board	Th. Tonnes	965	1030
Newsprint	Th. Tonnes	55.5	60.0
Nitrogenous fertilisers	Th. Tonnes	2013	2250
Phosphatic fertilisers	Th. Tonnes	670	750
Pesticides—technical grade	Th. Tonnes	42.6	47.8
Caustic soda	Th. Tonnes	505.5	545.0
Saleable steel	Th. Tonnes	7016	7680
Copper—blister	Th. Tonnes	21.1	23.5
Aluminium	Th. Tonnes	178.5	200.0
Zinc	Th. Tonnes	41.3	60.0
Lead	Th. Tonnes	7.5	13.0
Cement	Mill. Tonnes	19.3	21.0
Boilers	Rs. Crores	204.0	230.0
Machine tools	Rs. Crores	102.7	120.0
Power and distribution transformers	Million KVA	15.6	19.0
Industrial machinery (e.g. paper, cement, chemical, sugar, mining & metallurgical)	Rs. Crores	183.0	205.0
LDPE, HDP, PVC resins and polystyrene	Th. Tonnes	116.0	132.0
Railway wagons	Th. Nos.	12.2	13.0
Commercial vehicles	Th. Nos.	40.9	60.0
Electricity	Bill. KWH	92.2	105.6

metres, the target for 1978-79 is one billion metres, with corresponding increase in output of yarn. A detailed production plan has already been worked out and the working capital requirements for the higher level of output will be met.

(e) *Wagons*: As against total orders of 8500 wagons given earlier, it has been decided to increase output of wagons to 13,000 during the year.

A special group of secretaries under cabinet secretary has been set up to continuously monitor production in crucial sectors mentioned above and provide a focal point for inter-ministerial coordination.

Growth in industrial output in April and May 1978 has been encouraging. Output of public sector enterprises and power generation have shown substantial improvement. It is expected that given adequate response from industry, a rate of growth of seven to eight per cent in industrial output in 1978-79 will be achieved.

TABLE III

Output of Selected Industries during April-May 1978

Industry	Unit	Cumulative production		Percentage change in April-May 1978 / April-May 1977
		April 1977	May 1978	
Coal (including lignite)	Th. Tonnes	15980	16068	+ 0.6
Crude petroleum	Th. Tonnes	1595	1619	+ 1.5
Saleable steel (main plants)	Th. Tonnes	1139	984	— 13.6
Aluminium	Th. Tonnes	28.5	30.8	+ 8.1
Blister copper	Tonnes	3155	605	— 80.8
Zinc	Tonnes	6723	10081	+ 50.0
Lead	Tonnes	952	1170	+ 22.9
Sugar	Th. Tonnes	562	1557	+ 177.1
Vanaspati	Th. Tonnes	106	107	+ 0.9
Cotton yarn*	Mill. Kgs.	183	192	+ 4.9
Cotton cloth* (mill sector)	Mill. Mtrs	689	705	+ 2.3
Jute manufactures	Th. Tonnes	204	194	— 4.9
Newsprint	Tonnes	9152	9125	— 0.3
Nitrogenous fertilisers (N)	Th. Tonnes	293	293	—
Phosphatic fertilisers (P_2O_5)	Th. Tonnes	99	109	+ 10.1
Petroleum products	Th. Tonnes	3550	3661	+ 3.1
Cement	Th. Tonnes	3088	3196	+ 3.5
Commercial vehicles	Nos.	5913	7458	+ 26.1
Cars	Nos.	6105	5366	— 12.1
Jeeps	Nos.	1531	1679	+ 9.7
Motor cycles	Nos.	11679	14773	+ 26.5
Scooters	Nos.	23964	24380	+ 1.7
Mopeds/scooterettes	Nos.	5130	6612	+ 28.7
Auto rickshaws	Nos.	2685	3197	+ 19.1
Diesel engines (vehicular)	Nos.	488	1729	+ 254.3
Railways wagons	Nos.	1835	1639	— 10.7
Electricity generated	Mill. KWH	14640	16983	+ 16.0

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